

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Aviara Energy Corporation

3. ADDRESS OF OPERATOR

P. O. Box 1350, Houston, TX 77251-1350

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

330' FNL & 1035' FWL Sec. 30, T26S, R20E

At proposed prod. zone

980' FSL & 1085' FEL Sec. 24, T26S, R19E

CONFIDENTIAL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

17 miles west of Moab, UT

16. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. BHL (LS) 330' FNL Sec 30 1085' FEL Sec 24 (Also to nearest drig. unit line, if any)

16. NO. OF ACRES IN LEASE
2556.56

17. NO. OF ACRES ASSIGNED TO THIS WELL
580

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH
7400' TVD

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

5962' GR

22. APPROX. DATE WORK WILL START*

July, 1998

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT

SEE ATTACHMENTS

This well is a Horizontal Test of the Cane Creek Formation.

CONFIDENTIAL

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths: Give blowout preventer program, if any.

24. SIGNED Donny W. B. [Signature] TITLE Mgr; Envir., Safety & Reg DATE 16 December 1997

(This space for Federal or State office use)

PERMIT NO.

43-019-31365

APPROVAL DATE

APPROVED BY

[Signature]

TITLE

BRADLEY G. HILL

DATE

4/8/98

CONDITIONS OF APPROVAL, IF ANY:

RECLAMATION SPECIALIST III

Federal Approval of this
Action is Necessary

*See Instructions On Reverse Side

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(Also to nearest drlg. unit line, if any)

BHL (Ls) 1085' FEL Sec. 24
(U) 1085' FEL Sec. 24
Surf. (Ls) 330' FNL Sec. 30
(U) 1035' FWL Sec. 30

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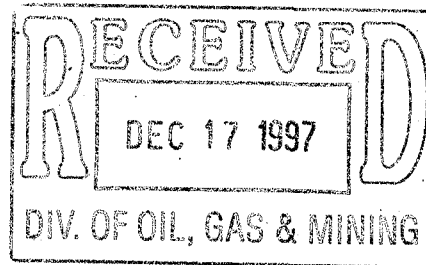
July, 1998

23.

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SIGNED

[Signature]

TITLE

Mgr; Envir., Safety & Reg

DATE

16 December 1997

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APPROVAL DATE

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TITLE

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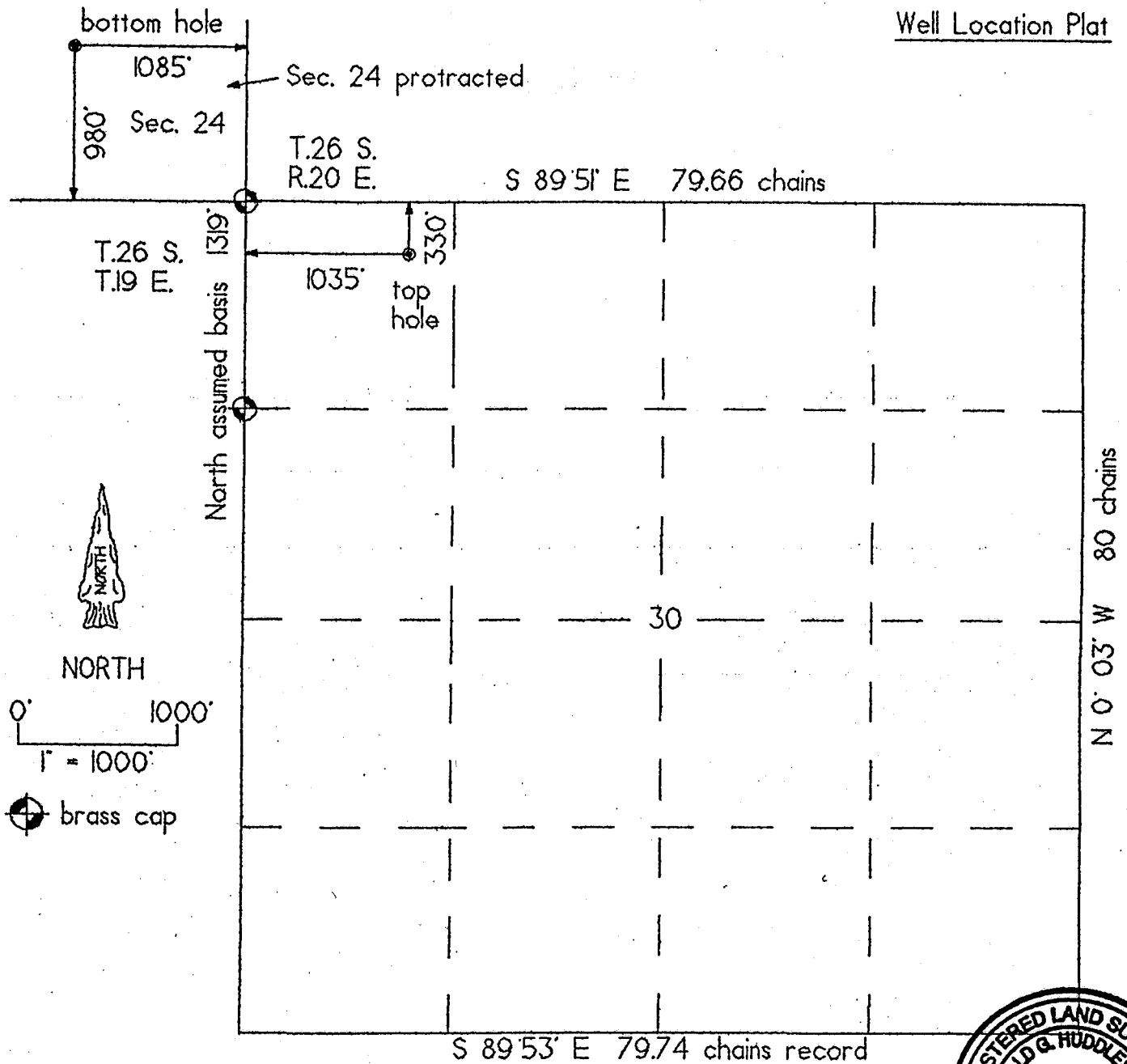
CONDITIONS OF APPROVAL, IF ANY:

CONFIDENTIAL

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Well Location Plat



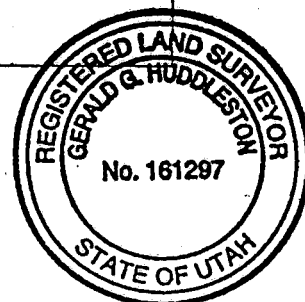
Well Location Description

AVIARA Energy Corporation
 Kane Springs Federal 30-1
 330' FNL & 1035' FWL (top hole)
 Section 30, T.26 S., R.20 E., SLM
 72.381 N & 2,497,975 E - Utah Central, NAD 27 (top hole)
 5962' grd. el. from USGS spot elevation
 980' FSL & 1085' FEL (bottom hole)
 Section 24, T.26 S., R.19 E., SLM
 Grand County, UT

30 October 1997

Gerald G. Huddleston, LS

The above is true and correct to my knowledge and belief.

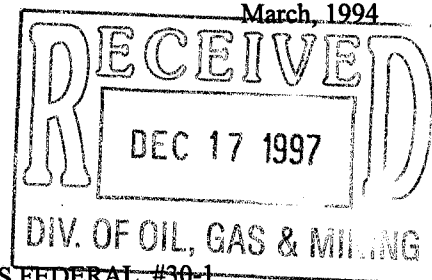


March, 1994

Bureau of Land Management
Moab District

Application for Permit to Drill

On-Site Inspection Checklist

Company AVIARA ENERGY CORP. Well No. KANE SPRINGS FEDERAL #30-1Location: Sec. 30, T. 26S, R. 20E, Lease No. UTU-46697On-Site Inspection Date 11/5/97 (Held prior to NOS/APD to screen VRM concerns)

All operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR § 3100), Onshore Oil and Gas Orders, the approved plan of operations and the conditions of approval. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished to the field representative to ensure compliance.

A. DRILLING PROGRAM**1. Surface Formation and Estimated Formation Tops:**

FORMATION TOPS	SUBSEA	DEPTH (RKB=25)
Alluvium	5965	0
Chinle	5383	607
Cutler	4505	1485
Hermosa	3297	2693
Paradox Salt	1690	4300
Cane Creek	-1365	7355

2. Estimated Depth at Which Oil, Gas, Water or Other Mineral Bearing Zones are Expected to be Encountered:Expected Oil Zones: Cane Creek - Subsea: -1365; TVD Depth (RKB=25'): 7355'

Expected Gas Zones: _____

Expected Water Zones: Kayenta/Wingate - Subsea: 5965; TVD Depth (RKB=25'): 0

Expected Mineral Zones: _____

All fresh water and prospectively valuable minerals encountered during drilling will be recorded by depth and will be cased and cemented. When possible, water flow rates will be measured and samples will be taken and analyzed with the results being submitted to BLM. All oil and gas shows will be tested to determine commercial potential.

3. Pressure Control Equipment -include schematics of the BOP and choke manifold, and describe testing procedures:SURFACE (0-700') & UPPER INTERMEDIATE (700' - 4,330') INTERVAL:

A rotating head and blooie line will be rigged up on the conductor and surface pipe. One (1) annular bag-type and preventer will be utilized while drilling the surface hole to 700' and intermediate hole to 4,330' in

the air drilling interval of the hole (See Exhibit C-1).

LOWER INTERMEDIATE INTERVAL 4,330'-7,510'

One (1) annular bag-type and (3) ram-type preventers will be utilized while drilling below the intermediate pipe. Ram preventers are to be tested to a minimum of seventy percent (70%) of working pressure or a minimum of seventy percent (70%) of burst rating of intermediate pipe. Annular preventer is to be tested to a minimum of fifty percent (50%) of working pressure. (See Exhibit C-2).

Choke Manifold will meet or exceed the requirements of the typical 5M manifold as in Onshore Order #2. Two remote operated hydraulic chokes installed prior to drilling into the Cane Creek. One panel will be located on the rig floor and the other panel on the ground (See Exhibit C-2).

HORIZONTAL INTERVAL 7,510' - 9,723'

While drilling horizontally through the Cane Creek formation a high pressure rotating head diverter will be installed on top of the annular preventer. The static working pressure will equal or exceed 2,500 psi and the rotating working pressure will equal or exceed 1,500 psi. The rotating head will be tested to 3,000 psi with a test cap. (See Exhibit C-3).

A large atmospheric gas buster rated at a minimum of 50 mmscf/day with a minimum of 8" x 150' flare line routed to flare pit. The flare line is to be equipped with an electric igniter.

This equipment will be utilized to safely control well pressures and produced fluids while drilling into the potentially fractured Cane Creek formation.

BOP systems will be consistent with API RP 53 and Onshore Oil and Gas Order No. 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. Blowout preventer controls will be installed prior to drilling the surface casing shoe and will remain in use until the well is completed or abandoned. Ram preventers shall be inspected and operated each trip (no more than once a day is necessary), and annular preventers shall be inspected and operated weekly to ensure good mechanical working order. These inspections shall be recorded in the drilling log and in the daily drilling report.

4. **Casing Program and Auxiliary Equipment** -include casing size, weight, grade, thread and coupling, setting depth and condition (new or acceptably reconditioned):

SURFACE PIPE:

0-700' INTERVAL; 13-3/8" SIZE; 54.5 WT; K-55 GR; STC CONN; 2730/11 BURST/SF; 1130/3.65 COLLAPSE/SF; 547/14.3 TENSION/SF. Set \pm 50' below top of Chinle Red Beds. Tension safety factor calculated using air weight. Pressure test to 70% of casing burst or 1900 psi before drilling out of shoe.

INTERMEDIATE PIPE:

0-4330' INTERVAL; 9-5/8" SIZE; 40 WT; K-55 GR; STC CONN; 3950/1.4 BURST/SF; 2570/1.34 COLLAPSE/SF; 486,000/2.8 TENSION/SF. Set \pm 30' below top of Paradox Salt. Tension safety factor calculated using air. Collapse design based on 8.5 ppg emw gradient with no backup fluid (casing evacuated). Collapse design neglects salt creep load in Paradox Salt. Burst design based on maximum surface pressure calculated by subtracting an oil gradient of 0.355 psi/ft from a fracture gradient of 1.0 psi/ft. A burst backup fluid of 8.5 ppg was used. Pressure test to 81% of casing burst or 3200 psi before drilling out of shoe.

PRODUCTION PIPE:

INTERVAL	SIZE	WT	GR	CONN	BURST/SF	DERATED COLLAPSE/SF	TENSION/SF
0-4100'	7	26	N-80	LTC	7240-1.7	5410/1.84	519,000/2.35
4100-7510'	7	32	HCN-80	LTC	9060/2.11	10400/1.35	738,000/2.4

Set $\pm 15'$ TVD below top of Cane Creek. Tension safety factor calculated using air. Bending stresses considered using 20°/100' dog leg severity. Collapse design based on 10 ppg emw gradient from 0 - 4100' with casing evacuated. From 4100' to 7395' TVD/7510' MD, collapse design based on 1.04 psi/ft with casing evacuated. Collapse resistance is de-rated for bi-axial stresses. Burst design based on maximum surface pressure equal to a pore pressure of 18.0 ppg emw less an oil gradient of 0.355 psi/ft. The packer fluid density and burst backup fluid density are assumed to be equal. Pressure test to 5000 psi or 55% of casing burst before drilling out of shoe.

PRODUCTION LINER:

7410'-9720' INTERVAL; 4-1/2" SIZE; 13.5 WT; N-80 GR; BTC CONN; 9020/NA BURST/SF; 10380/1.9 COLLAPSE/SF; 359,000/3.6 TENSION/SF. Release $\pm 100'$ MD above 7" casing shoe. Every third joint will be pre-drilled with 3/4" diameter holes every two feet at 90° phasing. The holes will be plugged with drillable aluminum plugs. Tension design based on 100,000 LB of over pull. Collapse design based on collapse gradient of 1.0 psi/ft.

AUXILIARY EQUIPMENT:

- A. A kelly cock will be kept in the string at all times.
- B. A stabbing valve will be kept on the derrick floor at all times.
- C. Drill pipe floats will be used while air drilling.
- D. Tandem floats will be placed above MWD and downhole motors in the drill string when drilling in the Cane Creek formation.
- E. A large atmospheric gas buster rated at a minimum of 50 mmscf/day with a minimum of 8" x 150' flare line routed to flare pit. The flare line is to be equipped with an electric igniter.
- F. Two remote operated hydraulic chokes installed prior to drilling into the Cane Creek. One panel will be located on the rig floor and the other panel on the ground.
- G. Visulogger rigged up after drilling out of 9-5/8" casing.
- H. Top Drive to be rigged up prior to drilling out of 7" casing.

5. **Cement** -include the cement type, density, yield, additives and amount used in setting each casing string. Also include the anticipated cement fill-up. If stage cementing, describe techniques:

SURFACE PIPE: Lead w/ 385 sks CL G (35:65) POZ + 6% gel + 3#/sk cello flakes, 12.6 ppg, 1.91 yield. Tail w/ 240 sks CL G + 2% CaCl₂, 15.8 ppg, 1.16 yield. TOC-surface.

INTERMEDIATE PIPE: Lead w/ 200 sks CL G (35:65) POZ + 6% gel + 3#/sk cello flakes, 12.6 ppg, 1.91 yield. Tail w/ 240 sks CL G neat, 15.8 ppg, 1.15 yield. TOC- 2600' w/ 35% excess.

PRODUCTION PIPE: Lead w/ 300 sks CL G (35:65) POZ + 6% gel + retarder + .25% cello flakes, 12.6 ppg, 1.89 yield. Tail w/ 145 sks CL G + 10% gypsum + 3% salt + fluid loss additive + retarder. TOC- 3750' w/ 35% excess.

Surface casing shall be cemented back to surface. Centralizers shall be run, at a minimum, on the bottom three joints of each casing string.

6. **Mud Program and Circulating Medium** -include mud components and weights. When air drilling, also include: length and location of blooie line; description of the auto igniter; description of the de-duster equipment; and amounts, types and characteristics of stand-by mud:

DEPTH (MD)	WEIGHT	PV	YP	API WL	TYPE
0 - 700'					Air/Mist/Water
700' - 4330'					Air/Mist/Water
4330' - 7510'	12 - 18	35 - 60	20 - 24	<10	Oil Based Mud
7510' - 9723'	15 - 18	45 - 60	20 - 24	<10	Oil Based Mud

Blooie line will be to SW side of location and 100' from well. Igniter will be solar/battery powered.

Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.

Sufficient mud materials will be stored on location to maintain well control and combat lost circulation problems that might reasonably be expected.

7. Coring, Logging and Testing Program:

- A. Drill Stem Tests - none planned.
- B. Well Logging and Intervals: Induction/Sonic/CNL/Den/GR 4330' - 7395' TVD MWD/GR will be attempted from kick off point at 7000' TVD/MT to TD at 7395' TVD/9723' MD.
- C. Cores: A 30' oriented core will be attempted in the Cane Creek formation at the first sign of fractures.
- D. Directional Surveys: This well as proposed will be drilled vertically to 7000' and then drilled as a medium radius well at an azimuth of 302 DEG for a total displacement of 2492'. Inclusion surveys will be taken at 500' and at 1000' maximum intervals until KOP. At KOP a multi-shot will be taken. During the angle build portion, surveys will be taken at 90' maximum intervals. During the horizontal portion of the hole, surveys will be taken at 200' maximum intervals.
- E. Samples: One sample will be taken at 10' intervals from 4000' to TVD.
- F. Mud Logger: There will be a mud logger on location at 4000' (330' above intermediate pipe depth) to TVD.
- G. Completion Procedure: To be submitted on form 5 under "Approval of Subsequent Operations".
- H. Where the well is completed as a dry hole or a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completions operations will be filed with form 3160-4.

Initial opening of drill stem test tools will be restricted to daylight hours.

8. Abnormal Conditions, Bottom Hole Pressures and Potential Hazards - include anticipated bottomhole pressure and/or pressure gradient. Also list anticipated lost circulation zones, abnormal temperature zones and possible hydrogen sulfide bearing zones: Abnormal pressure is anticipated in the Cane Creek formation. The proposed casing program and pressure control equipment has been designed based on the anticipated abnormal pressures of the Cane Creek formation. Flow drilling techniques will be used to safely control surface pressures and well fluid influxes. Pore pressures up to 18.0 ppg are expected. Hydrogen Sulfide is not anticipated.

9. Any Other Aspects of this Proposal that should be Addressed:

- A. Construction of Location is scheduled to start immediately after approval of APD.
- B. No location will be constructed or moved, no well be plugged and no drilling or workover equipment will be removed from the well to be placed in a suspended status without prior approval of the AO.
- C. The spud date will be reported orally to the AO within 48 hours after spudding, or on the next business workday if the spud occurs on a weekend.
- D. Spills, blowouts, fires, leaks, accidents or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revisions.
- E. If a replacement rig is contemplated for completion operations, a "Sundry Notice" to that effect

- F. Should the well be successfully completed for production, the AO will be notified when the well is placed in a production status. Notification will be made no later than five days following the date on which the well is placed on production.
- G. Venting/flaring of gas during initial well evaluation tests will not exceed a period of thirty days or the production of 50 MMCF/day of gas, whichever occurs first. An application will be filed with the District Engineer and approval received, for any venting or flaring beyond the initial 30 day authorized test period.
- H. Well abandonment operations will commence only after prior approval has been received from the AO. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the AO. A "Subsequent Report of Abandonment" will be filed with the AO within 30 days following completion of the well abandonment operations.
- I. There will be no deviation from the proposed drilling and/or workover program without prior approval of the AO. Safe drilling and operating practices will be observed.
- J. This well whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.3-2.

The dirt contractor will be provided with an approved copy of the surface use plan of operations before initiating construction.

- a. Proposed route to location (submit a map depicting access and well location). See Map "A" and "B".
- b. Location of proposed well in relation to town or other reference point:
From Moab, 11 miles N on Hwy. 191, left on SR 313 for 13.5 miles, left on SR 313 for 3.1 miles, right on Federal #19-1A well road for .3 miles, straight on 2 track existing road for .7 miles to location on left side of road.
- c. Contact the County Road Department for use of county roads.
- d. Plans for improvement and/or maintenance of existing roads: Improvement of 2 track from Federal #19-1A well road to location as needed to support trucks during drilling operations.
- e. Other: For production operations, surface of existing 2 track road will be upgraded as per BLM's Surface Operating Standards for Oil and Gas Exploration and Development.

a. Location (centerline): No access road is needed since location is alongside existing 2 track road.

b. Length of new access to be constructed: N/A

c. Length of existing roads to be upgraded: .7 miles

d. Maximum total disturbed width: 35 feet

- e. Maximum travel surface width: 21 feet (except for turnouts)
- f. Maximum grades: N/A
- g. Turnouts: As needed on existing 2 track. 1 or 2 anticipated - total width of road approximately 35' x 150' therefore, approximately 15' x 150' new disturbance per turn out - total length of new disturbance approximately 350' or .06 mile.
- h. Surface materials: Native soils during drilling. During production, as per BLM's Surface Operating Standards for Oil and Gas Exploration and Development
- i. Drainage (crowning, ditching, culverts, etc.): Flat bladed for drilling operations. Crowned & ditched for production as per BLM's Surface Operating Standards for Oil and Gas Exploration and Development. Culverts will be installed at all drainages where needed.
- j. Cattle guards: None
- k. Length of new and/or existing roads which lie outside the lease or unit boundary for which a BLM right-of-way is required: None
- l. Other: _____

Surface disturbance and vehicular travel will be limited to the approved location and access road. Any additional area needed must be approved by the Area Manager in advance.

If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligations determined by the authorized officer.

If the well is productive, the access road will be rehabilitated or brought to Resource (Class III) Road Standards within 60 days of dismantling the rig. If upgraded, the access road must be maintained at these standards until the well is properly abandoned. If this time frame cannot be met, the Area Manager will be notified so that temporary drainage control can be installed along the access road.

- 3. Location of Existing Wells -on a map, show the location of all water, injection, disposal, producing and drilling wells within a one mile radius of the proposed well, and describe the status of each Aviara's Kane Springs Federal #19-1A is currently producing oil from the Cane Creek formation. Tonopah (Pure Oil) Hobson-Federal #1 was drilled and abandoned. See map "B" for location of wells.
- 4. Location of Production Facilities:
 - a. On-site facilities: If well is productive, new on-well pad facilities and lines will be submitted as "as built" under the following guide lines. Facilities will be placed in cut as much as possible. All internal combustion engines associated w/ production facilities will be equipped w/ noise reducing mufflers. Fire prevention and suppression requirements for operations on Federal lands will be followed as per BLM guidelines.
 - b. Off-site facilities: Production equipment may be placed on the Federal #19-1A well's existing pad if a flow line to this site is approved by Aviara's management, and the BLM.

- c. Pipelines: No permanent above ground pipelines will be installed between the wellhead and treater or between the treater and flare pit. If approved by Aviara's management and the BLM, a flowline may be installed to the 19-1A well's existing production facilities area.

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, non-reflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required by comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: Match surrounding rocks, soils, vegetation.

All site security guidelines identified in 43 CFR § 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed.

If a gas meter run is constructed, it will be located on lease within 500 feet of the wellhead. The gas flowline will be buried from the separation equipment to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR § 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

If a tank battery is constructed on this lease, it will be surrounded by a berm of sufficient capacity to contain the storage capacity of the largest tank and 1 day's production. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR § 3162.7-3 and Onshore Oil and Gas Order No. 4.

Production facilities on location may include a lined or unlined produced water pit as specified in Onshore Order No. 7. If water is produced from the well, an Onshore Order No. 7 application must be submitted.

5. Location and Type of Water Supply:

All water needed for drilling purposes will be obtained from (describe location and/or show on a map):
City of Moab

A temporary water use permit for this operation will be obtained from the Utah State Engineer in Price, Utah at (801) 637-1303.

Water obtained on private land, or land administered by another agency, will require approval from the owner or agency for use of the land.

6. Source of Construction Material:

Pad construction material will be obtained from (if the source is Federally owned, show location on a map): Native on site materials for well pad.

The use of materials under BLM jurisdiction will conform to 43CFR § 3610.2-3.

7. Methods of Handling Waste Disposal:

Describe the methods and locations proposed for safe containment and disposal of waste material, e.g. cuttings, produced water, garbage, sewage, chemicals, etc.

To minimize the amount of fugitive dust and spray escaping from the blooie pit, the following blooie line deflection method will be employed: directed into length of casing and drill cuttings deflected downward.

10. Plans for Restoration of the Surface:

The top 6 inches of topsoil material will be removed from the location and stockpiled separately on:
See diagram.

Topsoil along the access road will be reserved in place adjacent to the road.

Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.

The reserve pit and that portion of the location not needed for production will be reclaimed.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry.

All road surfacing will be removed prior to the rehabilitation of roads.

Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.

All disturbed areas will be re-contoured to replicate the natural slope.

The stockpiled topsoil will be evenly distributed over the disturbed area.

Prior to reseeding, all disturbed areas, including the access roads, will be scarified and left with a rough surface.

Seed will be broadcast or drilled between October 1 and December 31, or at a time specified by the BLM. If broadcast, a harrow or some other implement will be dragged over the seeded area to assure seed coverage.

The following seed mixture will be used: (PLS) drill seeding rate

Indian rice grass	4#/Ac
Fourwing saltbush	4#/Ac
Galleta	4#/Ac
Sand dropseed	1#/Ac
Increase 50% if broadcast	

The abandonment marker will be one of the following, as specified by BLM:

- 1) at least four feet above ground level,
- 2) at restored ground level, or
- 3) below ground level.

In any case the marker shall be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).

Additional requirements: None

11. Surface and Mineral Ownership: Fed/Fed

12. Other Information:

a. Archeological Concerns: Four Corners Archeology will complete Class III inventory

The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and
- a time frame for the AO to complete an expedited review under 36 CFR § 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

- b. Threatened and Endangered Species Concerns: None identified by BLM
- c. Wildlife Seasonal Restrictions (yes/no): None identified by BLM. No lease stipulations.
- d. Off Location Geophysical Testing: None
- e. Drainage crossings that require additional State or Federal approval: None
- f. Other: Well site orientation and VRM concerns discussed with BLM on 11/5/97.

13. Lessee's or Operator's Representative and Certification

Representative:

Name: Donnie Worthington
Title: Environmental/Safety/Regulatory Manager
Address: P.O. Box 1350
Houston, TX 77251-1350
Phone No. (713) 871-3445

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Aviara Energy Corporation and its contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is

approved. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application, with bond coverage being provided under BLM bond no. 158798586. This statement is subject to the provisions of 18 U.S.C. § 1001 for the filing of a false statement.

Mark Swisher
Signature

Staff Petroleum Engineer
Title

12-16-1997
Date

C. REQUIRED APPROVALS, REPORTS AND NOTIFICATIONS

Building Location- Contact the Resource Area, Natural Resource Protection Specialist at least 48 hours prior to commencing construction of location.

Spud- The spud date will be reported to the Resource Area Office 24 hours prior to spudding. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the District Office within 24 hours after spudding, regardless of whether spud was made with a dry hole digger or big rig.

Daily Drilling Reports- Daily drilling reports shall detail the progress and status of the well and shall be submitted to the District Office on a weekly basis.

Monthly Reports of Operations- In accordance with Onshore Oil and Gas Order No. 1, this well shall be reported on Minerals Management Service (MMS) Form 3160, "Monthly Report of Operations," starting the month in which operations commence and continuing each month until the well is physically plugged and abandoned. This report will be filed directly with MMS.

Sundry Notices- There will be no deviation from the proposed drilling and/or workover program without prior approval. "Sundry Notices and Reports on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR § 3162.3-2. Safe drilling and operating practices must be observed.

Drilling Suspensions- Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval shall be applicable during any operations conducted with a replacement rig.

Undesirable Events- Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be immediately reported to the Resource Area in accordance with requirements of NTL-3A.

Cultural Resources- If cultural resources are discovered during construction, work that might disturb the resources is to stop, and the Area Manager is to be notified.

First Production- Should the well be successfully completed for production, the District Office will be notified when the well is placed in producing status. Such notification may be made by phone, but must be followed by a sundry notice or letter not later than five (5) business days following the date on which the well is placed into production.

A first production conference will be scheduled as soon as the productivity of the well is apparent. This conference should be coordinated through the Resource Area Office. The Resource Area Office shall be notified prior to the first sale.

Well Completion Report- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted to the District Office not later than thirty (30) days after completion of the well or after completion of operations being performed, in accordance with 43 CFR § 3162.4-1. Two copies of all logs, core descriptions, core analyses, well test data, geologic summaries, sample description, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, will be filed with Form 3160-4. When requested, samples (cuttings and/or samples) will be submitted to the District Office.

Venting/Flaring of Gas- Gas produced from this well may not be vented/flared beyond an initial, authorized test period of 30 days or 50 MMcf, whichever first occurs, without the prior, written approval of the District Office. Should gas be vented or flared without approval beyond the authorized test period, the well may be ordered shut-in until the gas can be captured or approval to continue the venting/flaring as uneconomical is granted. In such case, compensation to the lessor shall be required for that portion of the gas that is vented/flared without approval and which is determined to have been avoidably lost.

Produced Water- Produced waste water may be confined to an unlined pit for a period not to exceed 90 days after initial production. During the 90 day period, an application for approval of a permanent disposal method and location, along a water analysis, if required, will be submitted to the District Office for approval pursuant Onshore Oil and Gas Order No. 7.

Off-Lease Measurement, Storage, Commingling- Prior approval must be obtained from the District Office for off-lease measurement, off-lease storage and/or commingling (either down-hole or at the surface).

Plugging and Abandonment- If the well is completed as a dry hole, plugging instructions must be obtained from the District Office prior to initiating plugging operations.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the District Office, within thirty (30) days following plugging and abandonment of the well. This report will indicate where plugs were placed and the current status of surface restoration. Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR § 3162.6. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

TABLE 1

NOTIFICATIONS

Notify _____ of the _____ Resource Area, at _____ for the following:

2 days prior to commencement of dirt work, construction or reclamation;

1 day prior to spudding;

50 feet prior to reaching surface and intermediate casing depths;

3 hours prior to testing BOPE;

12 hours prior to reaching kickoff point depth (if applicable).

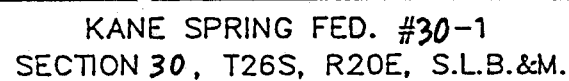
If the person at the above number cannot be reached, notify the Moab District Office at (801) 259-6111. If unsuccessful, notify one of the people listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab District Office, Branch of Fluid Minerals at (801) 259-6111. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer

Office: (801) 259-6111

Home: (801) 259-2214



Well Site Layout

Kane Springs Federal 30-1

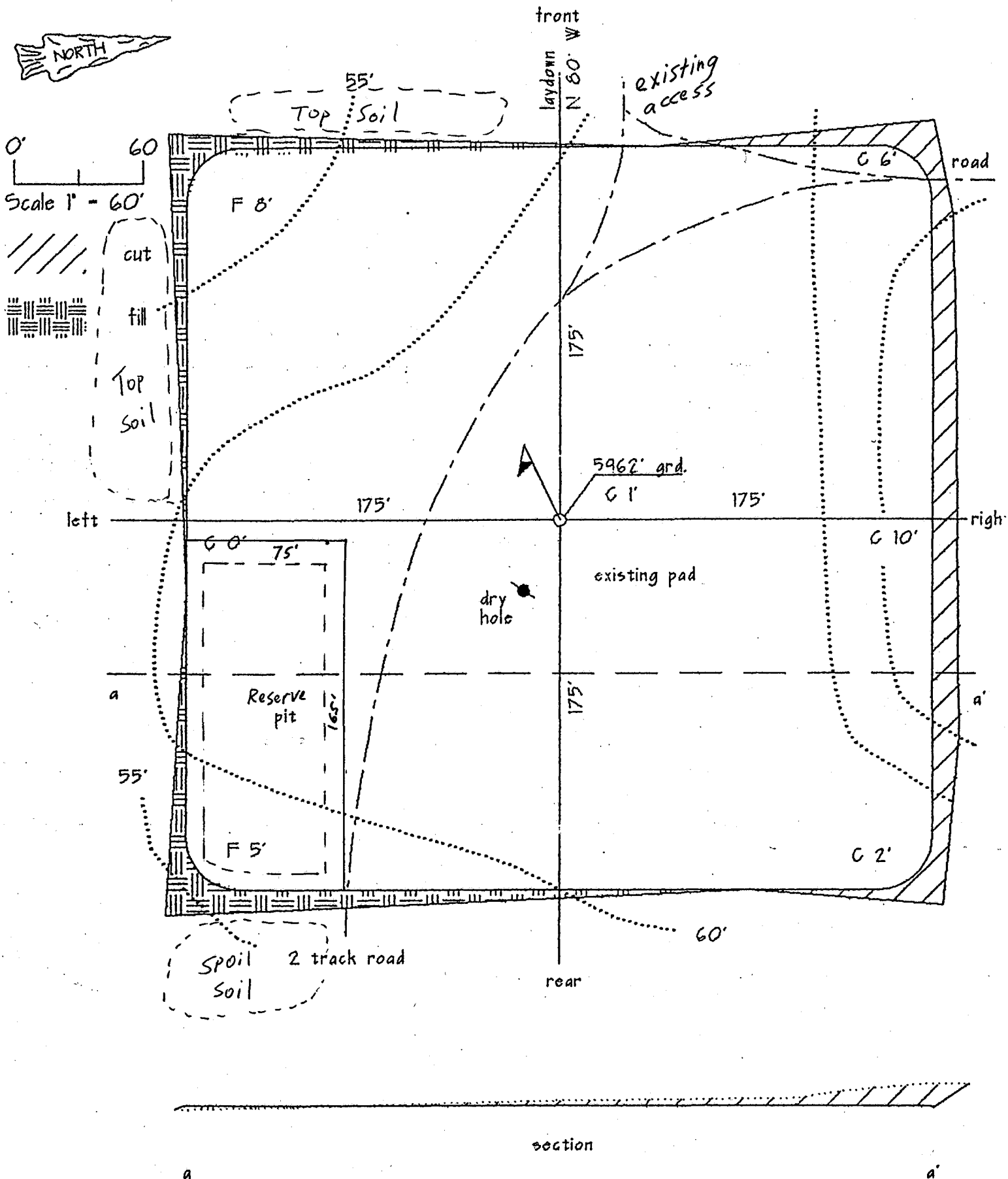
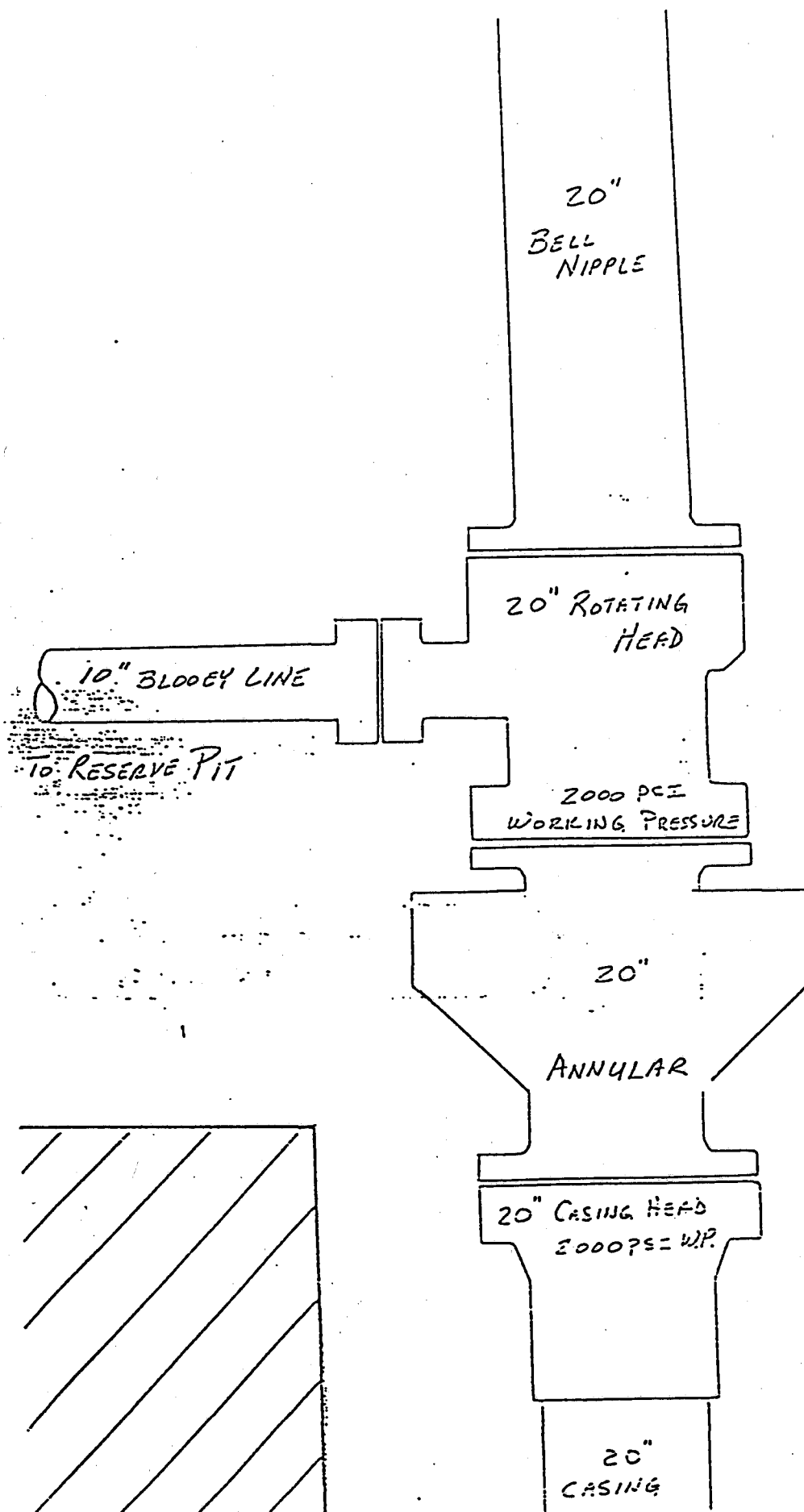
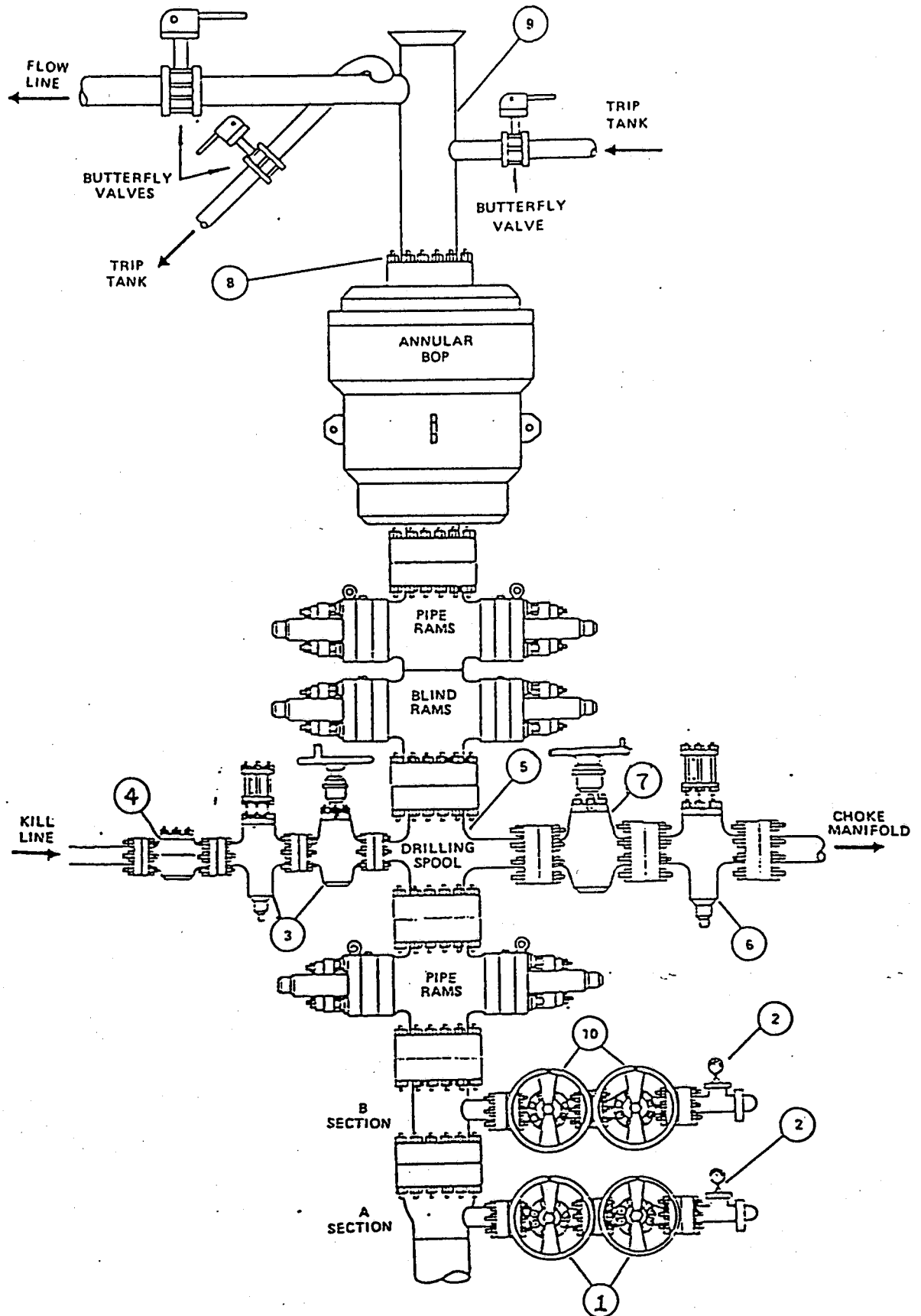


Exhibit C-1





COMPONENT SPECIFICATIONS

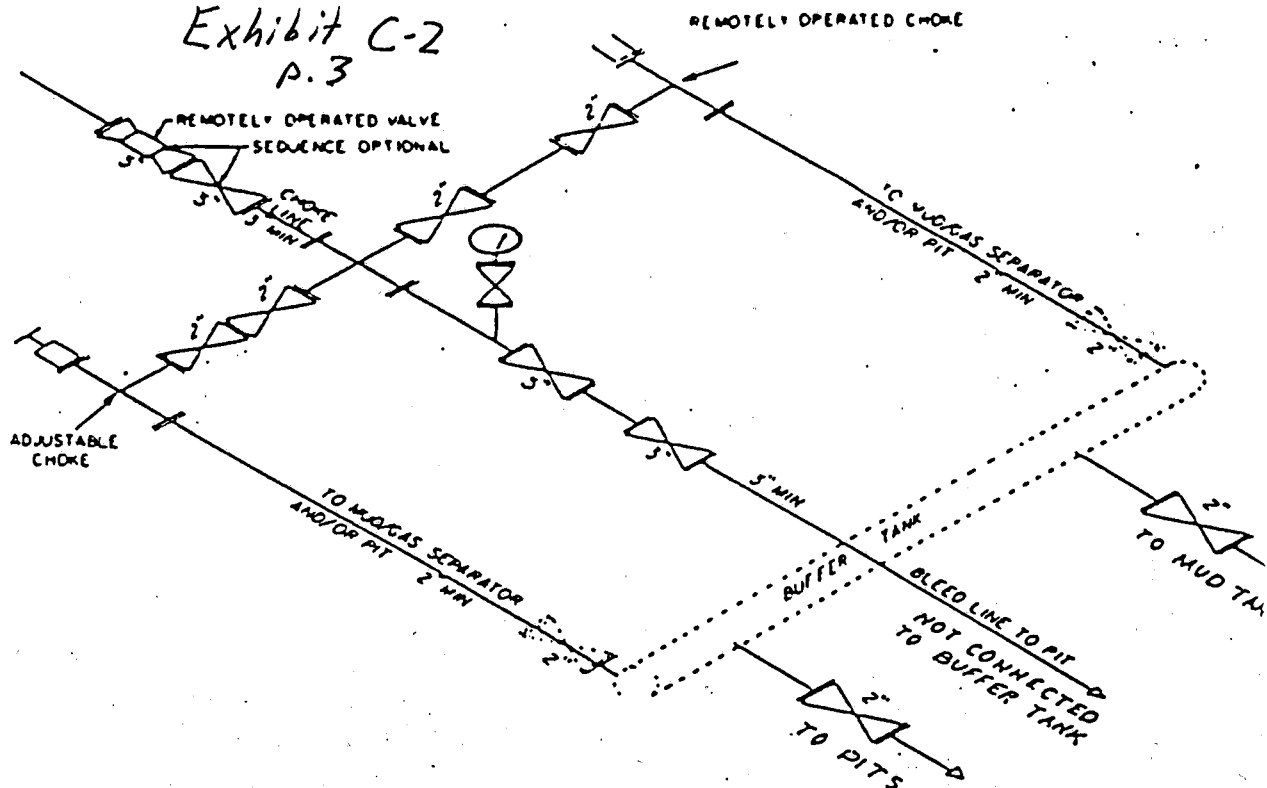
1. Screwed or flanged plug or gate valves — 2" minimum nominal dia. — same working pressure as "A" section.
2. Tee with tapped bullplug, needle valve, and pressure gauge.
3. Flanged plug or gate valve — 2" minimum nominal dia. — same working pressure as BOP stack. Second valve up stream may be hydraulically controlled.
4. Flanged flapper type check valve — 2" minimum nominal dia. — same working pressure as BOP stack.
5. Drilling spool of sufficient height to allow stripping with 2 flanged side outlets — 3" choke and 2" kill line minimum nominal dia. (See Table II-4 and Note D.)
6. Flanged hydraulically controlled gate valve — 3" minimum nominal dia. — same working pressure as BOP stack. (See Note D.)
7. Flanged plug or gate valve — 3" minimum nominal dia. — same working pressure as BOP stack.
8. Top of annular preventer must be equipped with an API flange ring gasket. All flange studs must be in place or holes filled in with screw type plugs.
9. The I.D. of the bell nipple must not be less than the minimum I.D. of the BOP stack.
10. Flanged plug or gate valve — 2" minimum nominal dia. — same working pressure as "B" section.

NOTE:

The choke line between the drilling spool and choke manifold should not contain any bend or turn in the pipe body. Any bend or turn required should be made with a running tee with a blind flange or welded bullplug. All connections should be flanged or welded. All fabrications requiring welding must be done by a certified welder. Welds should be stress relieved when required.

Plug valves should be equivalent to the Howco Lo-Torc and gate valves equivalent to the Cameron Type 'F'.

Exhibit C-2
p. 3



5M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION MAY VARY

Although not required for any of the choke manifold systems, buffer tanks are sometimes installed downstream of the choke assemblies for the purpose of monifolding the bleed lines together. When buffer tanks are employed, valves shall be installed upstream to isolate a failure or malfunction without interrupting flow control. Though not shown on 2M, 3M, 10M, or 15M drawings, it would also be applicable to those situations.

EXHIBIT C-3

BLOWOUT PREVENTOR SCHEMATIC

AVIARA ENERGY CORPORATION

WELL : KANE SPRINGS FEDERAL UNIT 51239 #7-1

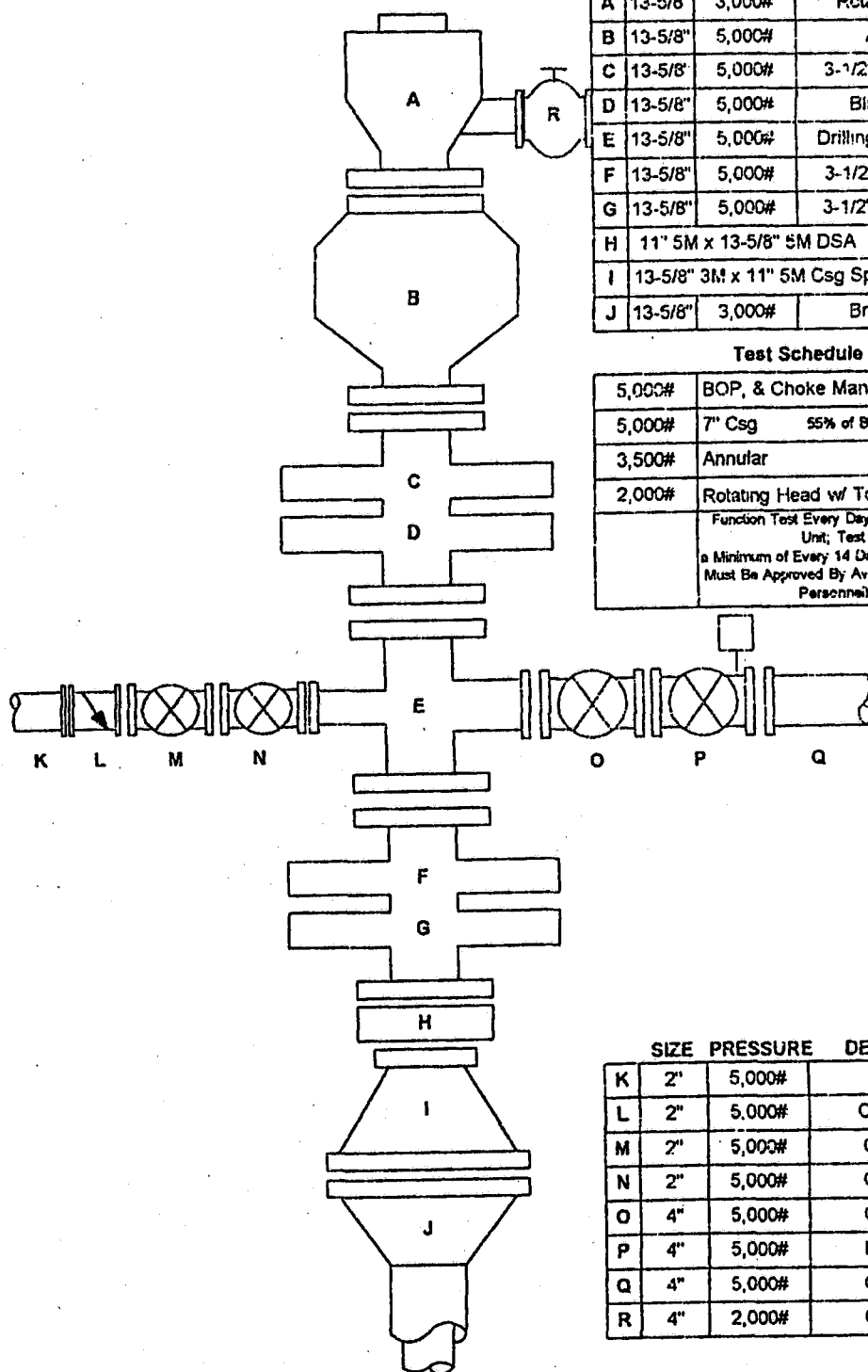
FIELD : KANE SPRINGS

RIG : TO BE DETERMINED

COUNTY : GRAND COUNTY UTAH

STATE: UTAH

OPERATION: DRILLING OUT BELOW 7" CSG



	SIZE	PRESSURE	DESCRIPTION
A	13-5/8"	3,000#	Rotating Head
B	13-5/8"	5,000#	Annular
C	13-5/8"	5,000#	3-1/2" Pipe Rams
D	13-5/8"	5,000#	Blind Rams
E	13-5/8"	5,000#	Drilling Spool (Opt)
F	13-5/8"	5,000#	3-1/2" Pipe Rams
G	13-5/8"	5,000#	3-1/2" Pipe Rams
H	11" 5M x 13-5/8" 5M DSA		
I	13-5/8" 3M x 11" 5M Csg Spool "B"		
J	13-5/8"	3,000#	Bradenhead

Test Schedule

5,000#	BOP, & Choke Manifold
5,000#	7" Csg 55% of Burst
3,500#	Annular ~
2,000#	Rotating Head w/ Test Cap
	Function Test Every Day with Remote Unit; Test a Minimum of Every 14 Days (Exceptions Must Be Approved By Avara Supervisor Personnel)

	SIZE	PRESSURE	DESCRIPTION
K	2"	5,000#	Kill Line
L	2"	5,000#	Check Valve
M	2"	5,000#	Gate Valve
N	2"	5,000#	Gate Valve
O	4"	5,000#	Gate Valve
P	4"	5,000#	HCR Valve
Q	4"	5,000#	Choke Line
R	4"	2,000#	Orbit Valve

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 12/17/97

API NO. ASSIGNED: 43-019-31365

WELL NAME: KANE SPRINGS 30-1

OPERATOR: AVIARA ENERGY CORP. (N5500)

PROPOSED LOCATION:

NWNW 30 - T26S - R20E

SURFACE: 0330-FNL-1035-FWL

BOTTOM: 0980-FSL-1085-EFF ~~FEH~~ **FEL**
GRAND COUNTY ~~*BHL SESE Sec. 24, T26S, R19E~~

UNDESIGNATED FIELD (002)

LEASE TYPE: FED

LEASE NUMBER: U - 46697

PROPOSED PRODUCING FORMATION: CNCR

INSPECT LOCATION BY: / /

TECH REVIEW	Initials	Date
Engineering		
Geology		
Surface		

RECEIVED AND/OR REVIEWED:

☒ Plat
☒ Bond: Federal ☒ State ☐ Fee ☐
(Number 158798586)
☒ Potash (Y/N)
☒ Oil shale (Y/N)
☒ Water permit
(Number CITY OF MOAB)
☒ RDCC Review (Y/N)
(Date: _____)

LOCATION AND SITING: ~~* Unit Contracted 8-5-2000~~

☒ R649-2-3. Unit: KANE SPRINGS
____ R649-3-2. General.
____ R649-3-3. Exception.
____ Drilling Unit.
Board Cause no: _____
Date: _____

COMMENTS:

CONFIDENTIAL

STIPULATIONS:

① FEDERAL APPROVAL



DIVISION OF OIL, GAS & MINING

OPERATOR: AVIARA ENERGY CORP. (N5500)

FIELD: UNDESIGNATED (002)

SEC. TWP. RNG.: SEC. 30, T26S, R20E

COUNTY: GRAND UAC: R649-2-3 KANE SPRINGS UNIT

BIG FLAT FIELD

PARK ROAD FIELD

• BOTTOM HOLE 30-1

• CNCR
XXXXX

• KANE SPRINGS #30-1
XXXXX

•
XXXXX

KANE SPRINGS UNIT

•
XXXXX

T26S R10E

T26S R20E

Grand

San Juan

DATE PREPARED:
22-DEC-1997

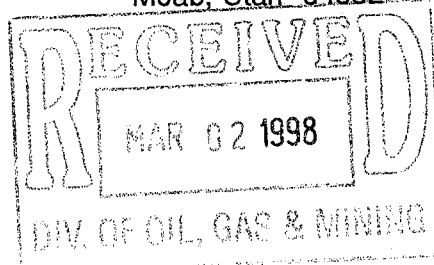
4-5-2000
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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Moab District
82 East Dogwood Avenue
Moab, Utah 84532



1790
(UT-062)

FEB 26 1998

Dear Reader:

Attached is a copy of a proposed action for an environmental assessment (EA) being prepared by the BLM Moab District. EA UT-062-98-054 will analyze the impacts of drilling five oil and gas wells in the Jug Rock, The Knoll, Big Flat, and Dee Pass areas of Grand County, Utah.

The proposed action is available for a 30-day public comment period. Comments must be submitted in writing by 4:30 p.m. on March 27, 1998 to be considered. Thank you for your participation.

Sincerely yours,

Assistant District Manager
Resource Management

Enclosure

1. EA # UT-062-98-054

(Proposed Action)

INTRODUCTION

The Grand Resource Area Resource Management Plan (RMP) was approved in June 1985. The RMP selected Alternative C from the 1983 Environmental Impact Statement (EIS) prepared for the RMP. Alternative C analyzed the cumulative impacts of drilling 145 wells annually throughout the Grand Resource Area (RMP, Appendix A, page A-11). In December 1988, the RMP Oil and Gas Supplemental Environmental Assessment (EA), EA# UT-060-89-025, was approved. The EA incorporated the Supplemental Program Guidance from Bureau of Land Management (BLM) Manual 1624.2 that was adopted in 1986. The Supplemental Program Guidance included the preparation of a Reasonably Foreseeable Development (RFD) based on historic drilling, current market trends, and industry forecasts. The RFD for EA# UT-060-89-025 projected or estimated 10 wells would be drilled within the Paradox Fold and Fault Belt between 1989 and 1995.

In June 1993, with the drilling of the Kane Springs 20-1 well, ten well sites had been constructed and nine wells had been drilled. When Applications for Permit to Drill (APDs) were submitted on Federal oil and gas leases after the drilling of the 20-1 well, the Grand Resource Area notified the operator that processing of the APD would be delayed: "any additional wells within the greater Big Flat area will be postponed until an EIS is prepared to address impacts from full field development." BLM further advised operators that future APDs could "conceivably result in the drilling of an 11th well in this area, putting us beyond the cumulative well threshold." However, BLM has always held that the ten well threshold could be exceeded to obtain information necessary to prepare a field development EIS. A list of pending APDs appears later in this document.

There are currently 5 producing wells within the Paradox Fold and Fault Belt of the Grand Resource Area that have been drilled since 1988. Four of these wells are within the Kane Springs Unit operated by Aviara Energy Corporation (formerly operated by Columbia Gas Development), the fifth is a non-unit well operated by Coastal within the unit boundary:

- Kane Springs Unit 19-1A, T. 26 S., R. 20 E., section 19;
- Kane Springs Unit 27-1, T. 25 S., R. 19 E., section 27;
- Kane Springs Unit 34-1, T. 25 S., R. 19 E., section 34;
- Kane Springs Unit 10-1, T. 25 S., R. 18 E., section 10;
- Coastal 16-1, T. 25 S., R. 18 E., section 16 (State Lease).

There are 3 wells that have been drilled and temporarily abandoned since 1988:

- Kane Springs Unit 28-1, T. 25 S., R. 19 E., section 28;
- Kane Springs Unit 20-1, T. 26 S., R. 19 E., section 20;
- Central Resources (drilled by Giant) Hatch Point #1, T. 29 S., R. 21 E., section 14.

There have been 2 wells drilled, plugged, and reclaimed since 1988:

- Chevron 1-36, T. 27 S., R. 20 E., section 36 (State Lease);
- Burlington Resources 22-33H, T. 27 S., R. 21 E., section 33.

One well site was constructed, not drilled, and reclaimed:

Exxon (constructed by Meridian) 33-4H, T. 26 S., R. 19 E., section 4.

Prior to 1997, Moab District had 8 APDs pending in the Paradox Fold and Fault Belt. None of those APDs were proposed in areas that would provide new geologic information to help determine the actual extent or boundaries of the Paradox Fold and Fault Belt, and the Moab BLM Office did not consider any of these proposed wells to be "rank wildcat wells", (i.e. wells located over one mile from any previous drilling outside of the Big Flat area). None of those APDs were processed, and several suspensions of lease operations and production were granted.

Between 1993 and 1997, BLM tried to determine the extent of the oil and gas resources that could be developed within the Paradox Fold and Fault Belt in order to delineate an area to analyze in a National Environmental Policy Act (NEPA) document for full field development. The wells that had been drilled since 1988 were located within the areas categorized in the RFD as having high and moderate potential for the occurrence of oil and gas, but it was not possible to delineate any specific areas for future development. The Paradox Fold and Fault Belt covers approximately 1/2 of the Grand Resource Area, and the drilling had been spread over 1/3 or more of the Paradox Fold and Fault Belt. It is not feasible to analyze full field development over an area of 250,000 to 500,000 acres, and further efforts for analyzing full field development have been postponed by BLM.

Early drilling success made Columbia Gas Development and other area lessees confident that the area would progress into development rather quickly. They advised BLM that they planned on preparing a field development EIS. At the time it appeared that ten wells would provide adequate exploration of the play. However, unexpected dry holes and inability to reduce drilling costs caused them to reconsider. Faced with geology and drilling conditions that were more complicated than originally thought, they concluded that development of the play was still in question, and it would be premature to invest in a field development EIS without more exploratory information.

Columbia Gas Development never concurred with BLM's determination that the Kane Springs Unit had entered a stage of full field development. When BLM rescinded the APD for the Kane Springs Unit 36-1 Well, based on BLM's determination that the Kane Springs Unit was entering a stage of full-field development; Columbia requested a State Director Review. Columbia maintained that the geologic and reservoir data indicated that drilling within the Kane Creek Unit was exploratory, not developmental. The State Director remanded the case back to Moab District on August 27, 1993, and directed Moab District to analyze additional geologic and reservoir data to determine if the well was exploratory or developmental. Although Columbia did not proceed with the drilling of the 36-1 Well based on business considerations, they maintained that geologic and reservoir data indicated that the 36-1 Well was exploratory, not developmental.

During May 1997, Avira Energy Corporation (formerly Columbia Gas Development) met with BLM personnel in the Moab Office and presented information indicating that all of their producing wells were located in separate reservoirs, and that additional drilling adjacent to their producing wells was still exploratory, rather than developmental. Production histories and interference tests from the horizontal wells drilled during the 1990's confirm that no two of the existing wells are producing from the same reservoir.

The geologic target in this area is the Cane Creek zone of the Paradox Formation. The Cane Creek is a fractured shale, with oil accumulating in the fractures. Wells that intercept these fractures tend to produce very well whereas wells that do not intercept fractures do not produce. Available information indicates that these fracture systems are not interconnected over large distances, and to date, each producing well is in its own isolated fracture system. The fractures tend to be nearly vertical, so horizontal drilling is employed to dramatically increase the chances of intercepting a fracture. Because the target is not simply a geologic horizon, but rather, isolated fracture systems within a geologic horizon, exploration of the Cane Creek is particularly challenging. In addition to the physical data derived from drilling, the proposed wells are designed to contribute to the understanding of the influence of tectonic features on the fracture systems and the effectiveness of geophysical data interpretation in predicting fracture system occurrence and orientation. Such information will allow geologists to utilize existing data to more accurately map the target.

While lessees, operators and the BLM had several years to interpret data obtained in the early 1990's and the successful horizontal wells established a production history, we are still unable to define a reasonable scenario for future development to be carried forward in a NEPA document. Based on current information, any RFD or NEPA analysis prepared at this time would be short-sighted. Prior to initiating an amendment to the RMP (including new RFD, NEPA document), it would be beneficial to gather additional geologic data on the limits of the Paradox Fold and Fault Belt or on the existing producing reservoirs. Without additional information on the extent of the producible reservoirs or the parameters of the existing reservoirs; a NEPA analysis at this time would have to be of broad scope, would not be prepared on the actual potential for field developments, and would not have specific locations where wells or fields would be developed.

In summary, (1) the production histories from the horizontal wells do not support the concept that the 5 producing wells in the Big Flat - Bartlett Flat areas of the Kane Springs Unit have entered a stage of field development, and (2) BLM's 1993 assumption that the drilling in the Big Flat - Bartlett Flat areas of the Kane Springs Unit had reached a stage of full field development was not accurate. If BLM initiated the preparation of NEPA documentation, either an EA or EIS, for full field development at this time; there would not be enough geologic data to focus the analysis on site specific areas for full field development, and the analysis would be over a broad area encompassing over half a million acres within the Paradox Fold and Fault Belt of the Grand Resource Area. In order to develop a new RFD to focus the scope of future development, additional geologic information would be required. Based on this information, BLM reconsidered options for approving additional exploratory drilling to help collect geologic data on the extent of the oil and gas reserves within the Paradox Fold and Fault Belt and the parameters of the existing oil reservoirs which may be more isolated than originally assumed.

Following their meeting with BLM in May 1997, Aviara Energy Corporation located three potential well sites within the Kane Creek Unit that could be drilled to provide additional information that would be useful to test geologic theories and to confirm reservoir occurrence or reservoir production parameters. Aviara personnel worked with the BLM to select potential well sites that would reduce new surface disturbances and visual impacts.

On November 21, 1997, Moab District mailed a letter to the operators with pending APDs or lease suspensions within the Paradox Fold and Fault Belt. The letter notified operators that BLM was prepared to examine additional proposals which would help define a reasonable scenario for future development of the Cane Creek play or Paradox Fold and Fault Belt. BLM requested that lessees proposing to conduct operations in the play submit those proposals for evaluation, and the proposals would be evaluated on a case-by-case basis to determine whether the information to be obtained will provide specific information as to the feasibility of developing the Cane Creek as a producing field. The letter requested that proposals be submitted by December 31, 1997.

Aviara, Intrepid Oil and Gas, and Riata Energy, Inc. contacted BLM regarding options for exploratory drilling operations that could provide the types of information requested by BLM. On December 31, 1997, the Moab BLM Office had pending 12 APDs within the Paradox Fold and Fault Belt. BLM screened the 12 pending APDs to determine which of them could be classified as exploratory based on the distance from known production.

Six of the 12 APDs were for wells that could be classified as exploratory:

- Riata, #5-1 Well, T. 23 S., R. 18 E., section 5;
- Riata, #9-1 Well, T. 23 S., R. 18 E., section 9;
- Aviara, Kane Springs Unit 7-1 Well, T. 25 S., R. 19 E., section 7;
- Aviara, Kane Springs Unit 11-1 Well, T. 26 S., R. 19 E., section 11;
- Exxon, Shafer #1 Well, T. 27 S., R. 20 E., section 11; and
- Exxon, Hatch Point #1 Well, T. 27 S., R. 21 E., section 33.

The other 6 pending APDs were considered developmental in nature due to their proximity to producing wells:

- S.W. Energy, #9-1 Well, T. 23 S., R. 17 E., section 9;
- Coastal, Kane Springs Unit 21-1 Well, T. 25 S., R. 18 E., section 21;
- Columbia (Aviara), Kane Springs Unit 36-1 Well, T. 25 S., R. 19 E., section 36;
- Columbia (Aviara), Kane Springs Unit 18-1 Well, T. 26 S., R. 20 E., section 18;
- Celsius, Largo #1 Well, T. 26 S., R. 20 E., section 15; and
- Aviara, Kane Springs Unit 30-1 Well, T. 26 S., R. 20 E., section 30.

Although Exxon's Hatch Point #1 Well appeared to be exploratory, the well would be located within 1 mile of two plugged and abandoned wells and two temporarily abandoned wells. Based on the geologic and production information available for the adjacent wells, BLM determined that the Exxon Hatch Point #1 Well would not provide the types of information needed prior to revising the RFD or the RMP and that the APD would not be processed at this time.

The visibility of the proposed Exxon Shafer #1 Well may be screened from Dead Horse Point State Park; however, the well would be within the viewshed of Anticline Overlook. BLM considers the impacts and potential conflicts associated with drilling a well (and potentially developing an oil and gas field) in Shafer Basin as issues better addressed through the RMP. The potential impacts from locating a well anywhere within Shafer Basin would be beyond the scope of this EA, and BLM will postpone the processing of the APD for the Exxon Shafer #1 Well.

During the initial geologic screening of the pending APDs, Aviara's Kane Springs Unit 30-1 Well was considered developmental due to its proximity to a producing well, the Kane Springs Unit 19-1A Well. When originally staked by Aviara, using the existing geophysical data, this well was located in T. 26 S., R. 19 E., section 25 (Oil and Gas Lease UTU-67558), approximately 1/2 mile southwest of the 30-1 Well. Oil and Gas Lease UTU-67558 was issued with an oil and gas leasing stipulation for no surface occupancy in section 25. When reviewing options for horizontally drilling from adjacent locations to hit the target in section 25, Aviara considered two sites for relocating the well. BLM checked both of the options in the field with Aviara, and BLM preferred the location for the 30-1 Well (section 30) over the other option in section 24 which would have been over 1 mile west of the 30-1 Well. BLM considers the proposed location for the 30-1 Well as less of a visual impact than the other option which would be located closer to the road to Canyonlands National Park. As a result of following BLM's recommendation to reduce potential visual impacts, Aviara moved the surface location of the 30-1 Well from an area that would have been exploratory to an old drill site that is closer to a producing well (19-1A Well). The original subsurface target in section 25 was not changed by moving the surface location of the well into section 30. The drilling of the 30-1 would test the validity of geophysical data interpretation which would be used in selecting well locations across the area. This type of information would be useful prior to preparing a new RFD and RMP update, and BLM will analyze the 30-1 Well in this EA.

NEED FOR THE PROPOSED ACTION

Based on the BLM's screening and review of the pending APDs, as specified in the previous section; five APDs were selected for processing in this EA.

Aviara Energy submitted Applications for Permit to Drill (APD) three wells in the Kane Springs Unit, on December 17, 1997:

Kane Springs Federal 7-1 Well, Oil and Gas Lease UTU-51239;
Kane Springs Federal 11-1 Well, Oil and Gas lease UTU-65972; and
Kane Springs Federal 30-1 Well, Oil and Gas Lease UTU-46697.

On October 24, 1997, Riata submitted an APD for the #9-1 Well, and on November 20, 1997, Riata submitted an APD for the #5-1 Well:

#5-1 Well, Oil and Gas lease UTU-75891; and
#9-1 Well, Oil and Gas Lease UTU-75891.

All of the proposed wells would be located on Federal oil and gas leases with Federal surface locations administered by the BLM.

The APD is the mechanism whereby the lessee/operator requests approval to exercise their lease rights to explore for and possibly develop Federal oil and gas resources. The drilling of the proposed wells would determine if oil and gas reserves could be recovered at the proposed locations.

In addition to testing the feasibility of producing oil and gas reserves at the proposed locations, all five of the proposed wells would provide additional geologic and reservoir data. The drilling of the three Aviara wells would provide additional geologic and reservoir data that would help delineate the boundaries of the Paradox Fold and Fault Belt and help define the parameters of the oil and gas reservoirs. The Aviara wells would also test three different geological theories for predicting the location of reservoirs. The #5-1 and #9-1 Wells proposed by Riata would be 4 miles away from the nearest production, and these wells would test a new horizon. The geologic and reservoir information is needed for establishing a new RFD and for determining the boundaries of the productive areas within the Paradox Fold and Fault Belt.

This EA will document the impacts and mitigation for drilling the 5 wells and will update the cumulative impacts of drilling 5 wells within the Paradox Fold and Fault Belt of the Grand Resource Area.

CONFORMANCE WITH LAND USE PLAN

This proposed action has been determined to be in conformance with the terms and conditions of the Grand Resource Area Resource Management Plan (RMP), approved July 1985, as required by 43 CFR 1610.5. This is shown on page 15 of the plan and reads as follows: "to keep public lands open for exploration and development of mineral resources while protecting areas with sensitive resource values."

The proposed locations for the two Riata wells, Aviara 7-1 Well, and the Aviara 11-1 Well are in areas with no special oil and gas leasing stipulations identified in the RMP (Category 1 area). The Aviara 30-1 Well would be located in a Category 3 area with oil and gas leasing stipulations for no surface occupancy that were developed in the RMP. However, Oil and Gas Lease UTU-46697 at the proposed location for the 30-1 Well was issued prior to the approval of the RMP; and therefore, Lease UTU-46697 was issued without the no surface occupancy stipulation. Oil and Gas Lease UTU-46697 is held by production, and it is unlikely that a new lease would be issued in the near future.

The Supplemental Program Guidance (SPG) for fluid minerals (1624.22 C.) specify RFDs should be projected as number of wells and fields. The RFD projections are also linked to cumulative impacts, which are generally measured in acreage of surface disturbance for the construction of well sites, roads, and pipelines. The 1988 RMP Oil and Gas Supplemental EA estimated an average well would result in 6.5 acres of surface disturbance. In March of 1993, the average surface disturbance for a well within the Paradox Fold and Fault Belt was approximately 4 acres (EA# UT-068-93-031). The cumulative impacts of the drilling from 1988 through 1993 is less than the 65 acres estimated for 10 wells in the existing RFD for the Paradox Fold and Fault Belt. The 1988 RMP Oil and Gas Supplemental EA assumed that 50 percent of the wells would be productive and 50 percent would be abandoned and reclaimed. The EA also assumed revegetation would be successful within a scope of 10 years. Based on the drilling that has occurred within the Paradox Fold and Fault Belt since 1988, these assumptions from the existing RFD would still be valid.

The Potash-Confluence Habitat Management Plan (HMP) encompasses the areas of the proposed actions. The goals and objectives for the Potash-Confluence HMP have been developed to protect and enhance habitat for desert bighorn sheep, peregrine falcon, riparian habitat, Cycladenia humilis which is an endangered plant, deer, and elk.

All of the proposed wells would be in areas grazed as part of the Big Flat - Ten Mile allotment, and an Allotment Management Plan (AMP) has been developed for the area. The implementation of the AMP would not be affected by the proposed actions as long as the surface impacts from the proposed actions were properly mitigated.

This environmental assessment (EA) tiers to the Environmental Analysis Record for Proposed Oil and Gas Leasing in the Grand Resource Area (1975), the EIS for the Grand Resource Area Management Plan (1983), and the RMP Oil and Gas Supplemental EA UT-060-89-025 (December 14, 1988). EA UT-068-91-079 for the Western Gas Gathering Pipeline, EA UT-068-91-080 for the Chevron Green River Federal #1-20 Exploratory Well, EA UT-068-91-082 for the Columbia Gas Development Corporation Kane Springs Federal #10-1 and #20-1 Exploratory Oil Wells, and UT-068-93-031 for the Kane Springs Federal 25-19-34-1 Well provide additional information on affected environments and potential impacts from similar projects.

RELATIONSHIP TO STATUTES, REGULATIONS, OR OTHER PLANS

The exploration, development and production of Federal oil and gas leases is regulated by 43 CFR 3160, Onshore Oil and Gas Orders, and Notices to Lessees and operators (NTLs).

The proposed action is consistent with Grand County's 1979 Master Plan for Development.

The proposed action would meet the BLM's policy to manage energy and mineral resources on public lands in accordance with the provisions of the Mining and Minerals Policy Act of 1970 and the Federal Land Policy and Management Act of 1976 (FLPMA). The Mining and Minerals Policy Act of 1970 declares that it is the continuing policy of the Federal government to encourage and facilitate private enterprise in the development of a stable domestic minerals industry and the orderly and economic development of domestic mineral resources. FLPMA reiterates the Nation's need for domestic sources of mineral and other resources and requires that public lands be managed accordingly.

In keeping with these policies, the BLM actively facilitates the development by private industry of public land mineral resources in a manner that satisfies national and local needs and provides for economically and environmentally sound exploration, extraction, and reclamation practices (BLM Manual Section 3000.06).

PROPOSED ACTION AND ALTERNATIVES

The proposed action would require the construction and maintenance of a well pad to drill, produce and eventually plug/abandon an oil well at each of the proposed locations. The Surface Use Plans submitted with the APDs provide specifications for construction, operation, and restoration of the well sites. The Surface Use Plans were developed during onsite inspections of the proposed well sites. Representatives from the oil companies and BLM participated in the onsite inspections.

The Surface Use Plans for the Aviara wells and the Riata wells are substantially different from each other. Therefore, the information for the proposed action was separated into two headings; Aviara Wells and Riata Wells. Maps of the proposed wells and access routes are attached in Appendix A.

Aviara Wells

Kane Springs Federal 7-1 Well, T. 25 S., R. 19 E., section 7;
Kane Springs Federal 11-1 Well, T. 26 S., R. 19 E., section 11; and
Kane Springs Federal 30-1 Well, T. 26 S., R. 20 E., section 30.

Approximately 1.3 miles of an existing two-track road would be upgraded and 0.6 mile of new road would be constructed between the Spring Canyon road (Grand County Road #140) and the proposed location for the Kane Springs Unit 7-1 Well. The 11-1 Well would be located approximately 300 feet from State Route 313, and the proposed access would be constructed on a previous surface disturbance. The access for the 30-1 Well would follow 0.3 miles of the road to the 19-1A Well, and 0.7 miles of an existing two-track road would be upgraded. The existing roads and new roads would be flatbladed for the drilling operations. If a well was completed for production, the roads would require a road width of 35 feet to include the travel surface of 21 feet wide, ditches and topsoil berms.

The construction of a drilling location and well site would involve a surface disturbance of approximately 400 feet by 400 feet. The top 6 inches of soil would be removed and stockpiled. A lined reserve pit would be constructed within the surface disturbance of the proposed well site. Based on previous construction at Columbia wells, it is anticipated that the construction of a well pad could entail some blasting of rock.

The construction of a well site would require about 10 days, and the drilling operations would take approximately 50 days. Well testing and completion activities could take another 20-30 days.

Approximately 48 truckloads of equipment would be required to transport the drilling rig to the location. During the drilling phase, the use of 10-15 vehicles per day would be anticipated. Trucks hauling water for drilling would also be on the highway. One or two vehicles would travel to the well each day during production to inspect and maintain equipment. Depending on oil production and facilities constructed for production handling, one tanker truck would transport oil every 1-2 weeks.

Initially, drilling of the well would utilize an air drilling system, with cuttings contained in a blooie pit. The blooie line would be misted to control dust. An oil-base drilling mud would be used to finish the drilling. Oil-based muds have been the most successful when drilling horizontal wells, and any alternative muds would need to meet very specific parameters for the anticipated drilling conditions. All fluids used during the drilling or testing of the well would be contained in a fenced reserve pit. The reserve pit would be fenced on three sides during drilling operations and the fourth side would be fenced when the rig moves off the location. After the fluids have been removed or evaporated, the reserve pit contents would be stabilized, covered with the subsoil stockpiled during construction of the pit, and reclaimed. Sewage would be contained in a chemical toilet during the drilling operations. Trash would be stored in a portable self-contained trash cage and hauled to an approved sanitary landfill when the drilling is completed.

If commercial production is established, the production facilities would probably be located on the well pad. An area of approximately 400 feet by 300 feet (2.75 acres) would be needed for production operations. The majority of this area would be occupied by production facilities. It is anticipated that a wireline truck would be on location every 2-3 weeks to remove paraffin from the well. The entire well pad would be required during future down-hole maintenance operations.

It may be feasible to pipe production from the 30-1 Well to the 19-1A Well. In the event that oil can be piped to the 19-1A battery, there may be an opportunity to utilize some of the existing production facilities at the 19-1A Well and to eliminate some of the production facilities that would be located at the 30-1 Well.

The specific design and layout of a production facility would be based on the volume of production during the well tests, cut and fill logistics at the well site, and potential visual impacts from the equipment. The anticipated production facilities would include a tank battery, heater treater, separator, circulation pump and flare pit. A typical tank battery would include 3-4 tanks (500 barrel capacity per tank) to contain oil and an additional tank for produced water. The tank battery and production equipment would be surrounded by a berm adequate to contain any fluids lost during production handling or discharged in the event of a spill. The well pad (or certain portions of the tank battery, treater, and flare pit) would probably be fenced to exclude livestock. It is anticipated that a pumping unit would be needed to produce the well after 2 years of production. Internal combustion engines associated with production facilities would be equipped with noise reducing mufflers. All permanent production facilities would be painted a neutral non-reflective color. If the well is a producer, additional upgrading and maintenance would be needed for drainage control on the new road. Unless pipelines were constructed to this area, oil production would be hauled from the well site by tanker trucks and gas would be flared pursuant to the guidelines in NTL-4A. Any salt water produced at the well would be hauled to an approved disposal site unless alternate disposal methods were authorized according to Onshore Oil and Gas Order 7.

If the well is not developed into a producing well or when it is no longer commercially productive, the well would be plugged. Gravel would be removed from the areas requiring reclamation. The well pad and access road would be recontoured, topsoil replaced, scarified, and seeded as specified by BLM.

Riata Wells

- #5-1 Well, T. 23 S., R. 18 E., section 5; and
- #9-1 Well, T. 23 S., R. 18 E., section 9.

The #9-1 Well would be located approximately 300 feet from a Grand County Road #138, between the Ruby Ranch Road and the Moab Airport. The access for the #5-1 Well would follow an existing road that would be upgraded for approximately 1.8 miles, and approximately 0.3 miles of new road would be constructed to reach the well site for the #5-1 Well. The existing roads and new roads would be flatbladed for the drilling operations. If a well was completed for production, the roads would require a road width of 35 feet to include the travel surface of 18-20 feet wide, ditches and topsoil berms.

The construction of a drilling location and well site would involve a surface disturbance of approximately 300 feet by 175 feet. The top 6 inches of soil would be removed and stockpiled. A reserve pit of 40 feet by 20 feet would be constructed adjacent to the proposed well site.

The construction of a well site would require 2-5 days, and the drilling operations would take 5-10 20 days. Well testing and completion activities could take another 20-30 days.

During the drilling phase, there would be 3-5 vehicles driving to the well site each day. Trucks hauling water for drilling would also be using the Grand County roads. One or two vehicles would travel to the well each day during production to inspect and maintain equipment. Depending on oil production and facilities constructed for production handling, one tanker truck would transport oil every 1-2 weeks.

The Riata wells would be vertical wells; and the drilling operations would utilize an air drilling system. The blosie line would be misted with water to control dust, and cuttings would be contained in a pit. All fluids used during the drilling or testing of the well would be contained in a fenced reserve pit. The reserve pit would be fenced on three sides during drilling operations and the fourth side would be fenced when the rig moves off the location. After the fluids have been removed or evaporated, the reserve pit contents would be covered with the subsoil stockpiled during construction of the pit, and reclaimed. Sewage would be contained in a chemical toilet during the drilling operations. Trash would be stored in a portable self-contained trash cage and hauled to an approved sanitary landfill when the drilling is completed.

If commercial production is established, the production facilities would probably be located on the well pad. An area of approximately 300 feet by 160 feet (1.1 acres) would be needed for production operations. The majority of this area would be occupied by production facilities. It is anticipated that a wireline truck would be needed periodically to remove paraffin from the well. The entire well pad may be required during future down-hole maintenance operations.

As indicated in the previous section for the Aviara wells, the specific design and layout of a production facility would be based on the volume of production during the well tests, cut and fill logistics at the well site, and potential visual impacts from the equipment. The anticipated production facilities would probably include a tank battery, heater treater, separator, circulation pump and flare pit. A typical tank battery would include 2-3 tanks (200-500 barrel capacity per tank) to contain oil and an additional tank for produced water. The tank battery and production equipment would be surrounded by a berm adequate to contain any fluids lost during production handling or discharged in the event of a spill. It is anticipated that a pumping unit would be needed to produce the well after 2 years of production. All permanent production facilities would be painted a neutral non-reflective color. If the well is a producer, additional upgrading and maintenance would be needed for drainage control on the new road. Oil production would be hauled from the well site by tanker trucks and gas would be flared pursuant to the guidelines in NTL-4A. Any salt water produced at the well would be hauled to an approved disposal site unless alternate disposal methods were authorized according to Onshore Oil and Gas Order 7.

If the well is not developed into a producing well or when it is no longer commercially productive, the well would be plugged. Gravel would be removed from the areas requiring reclamation. The well pad and access road would be recontoured, topsoil replaced, scarified, and seeded as specified by BLM.

In addition to the Surface Use Plan, the APD includes a Drilling Program that provides specifications and mitigation for drilling through potential water and hydrocarbon zones, casing and cementing programs, pressure control equipment, drilling fluid programs, and well evaluation programs. The proposed Aviara wells would be drilled and completed as horizontal wells. The Riata wells would be drilled as vertical wells. The drilling information would be reviewed by a Geologist and Petroleum Engineer in the Moab District Office prior to the approval of the APD. The Moab District Engineer would also provide specifications for plugging the wells.

NO ACTION ALTERNATIVE

Under the no action alternative, an APD would not be approved for the proposed location. The existing environment would remain in its current condition, and there would be no new environmental consequences as a result of this alternative.

The lessee has the legal right to explore and develop oil and gas resources underlying the lease. Therefore, denying all efforts to exercise these lease rights is not a viable alternative. Selection of the no action alternative would likely result in the applicant submitting a new APD with a new surface location. This would be treated as a new proposed action requiring additional analysis.

ISSUE IDENTIFICATION AND ASSUMPTIONS

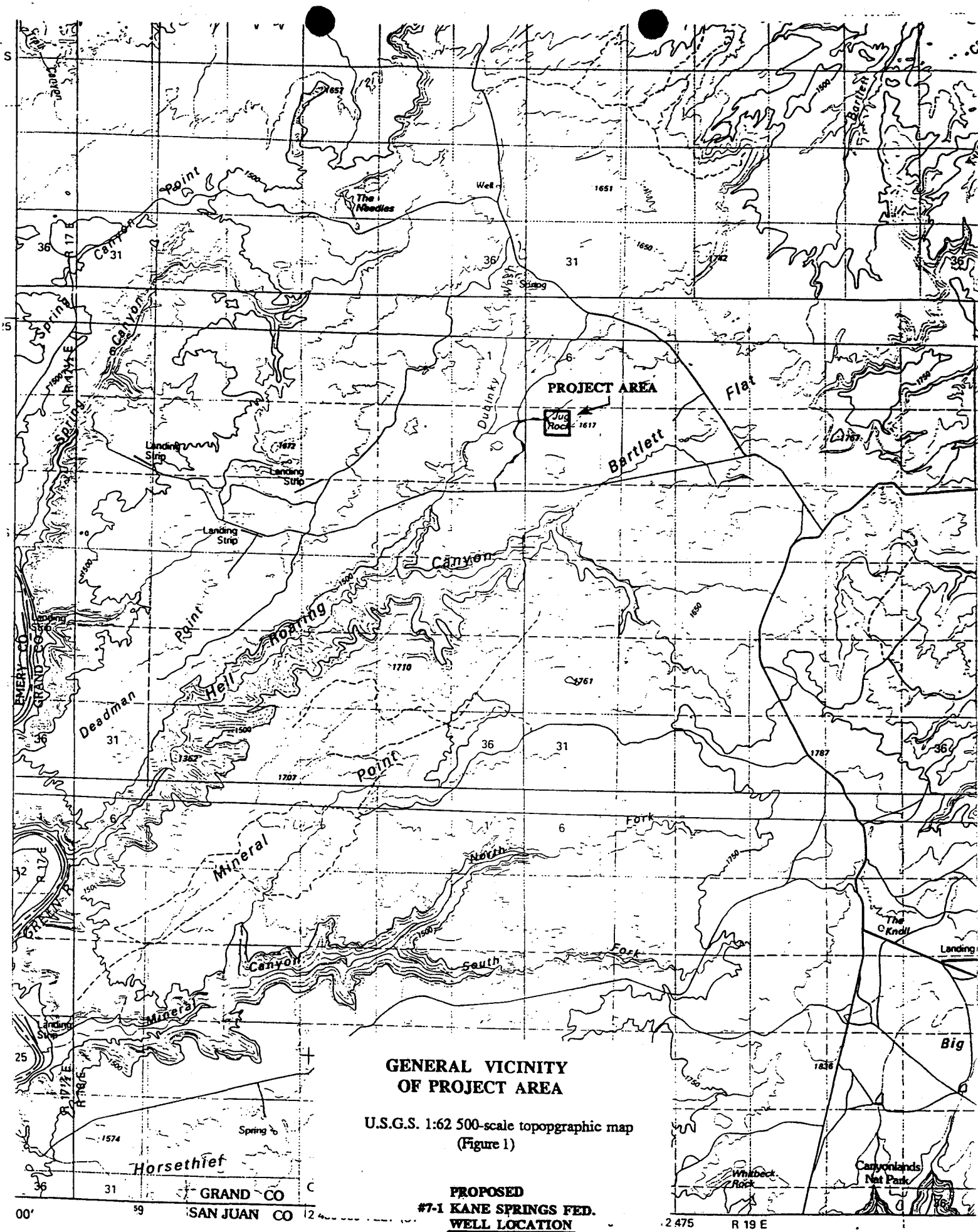
Based on previous public reviews and public comments received on wells in the Kane Springs Unit, BLM anticipates the majority of the issues for the Kane Springs wells will be related to visual or recreational values. Personnel from Aviara Energy located the Kane Springs 11-1 and 30-1 Wells on old, reclaimed drilling locations to minimize new surface disturbances. BLM personnel checked proposed well sites with Aviara and discussed potential modifications for reducing impacts to visual resources.

The Reader can assume that potential impacts to threatened and endangered (T&E) species and cultural resources from the proposed action would be analyzed in the EA and mitigation would be consistent with the Federal laws and regulations. This information would be documented in the EA.

The EA would document the affected environment and environmental impacts to each affected resource. At this time, it is anticipated that the EA would have specific sections for Vegetation and Soil, Recreation, Visual Resources, Air Quality and Noise, Livestock Grazing, Wildlife/T&E Species, and Cultural Resources. Under the analysis for each resource, there would be headings for Affected Environment, Impacts, Mitigation, and Residual Impacts for the Proposed Action and No Action Alternatives. The cumulative impacts would be covered in a separate section of the EA and would address all affected resources.

Appendix

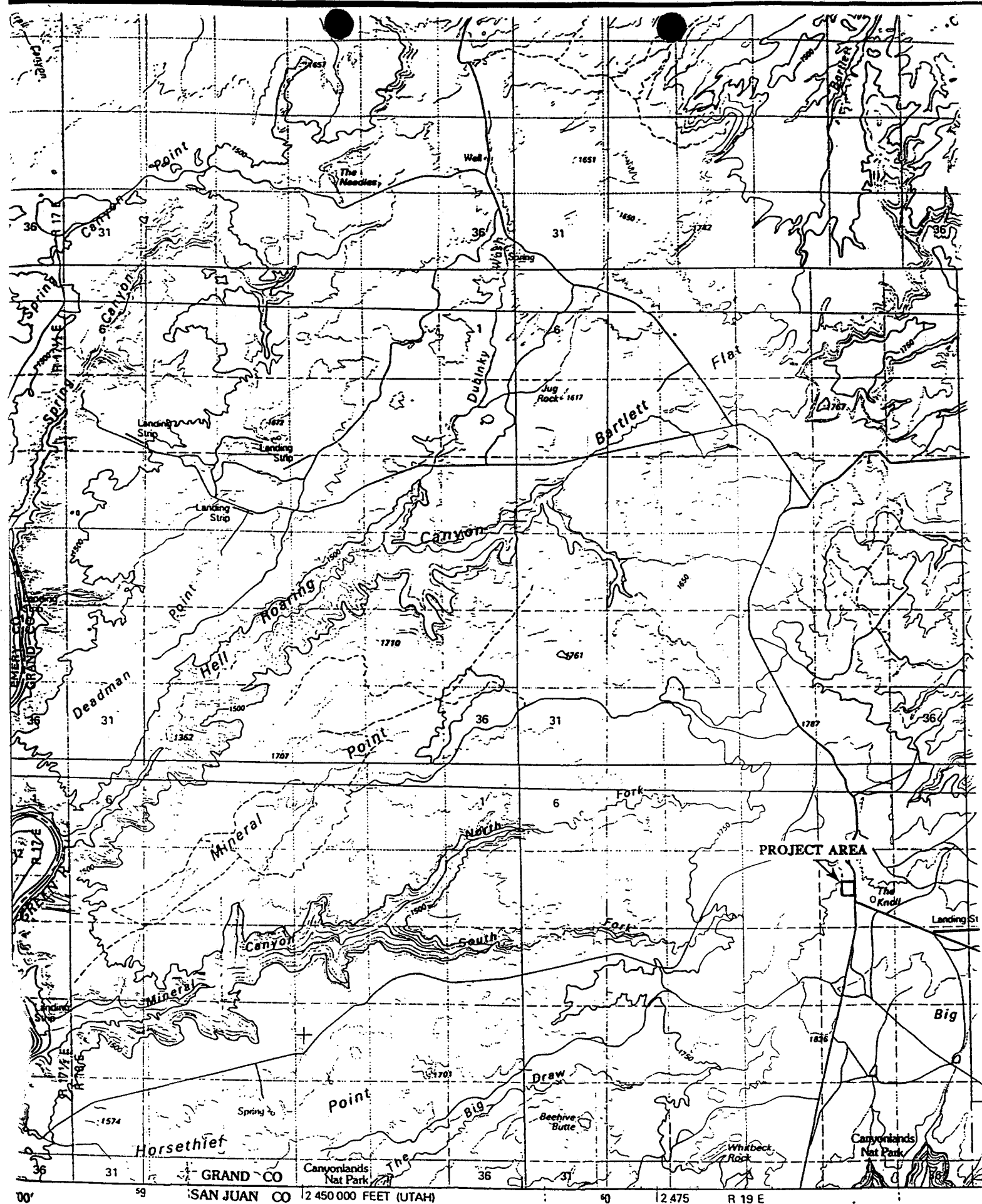
Appendix A - Two Maps for Each Proposed Well



**GENERAL VICINITY
OF PROJECT AREA**

U.S.G.S. 1:62 500-scale topographic map
(Figure 1)

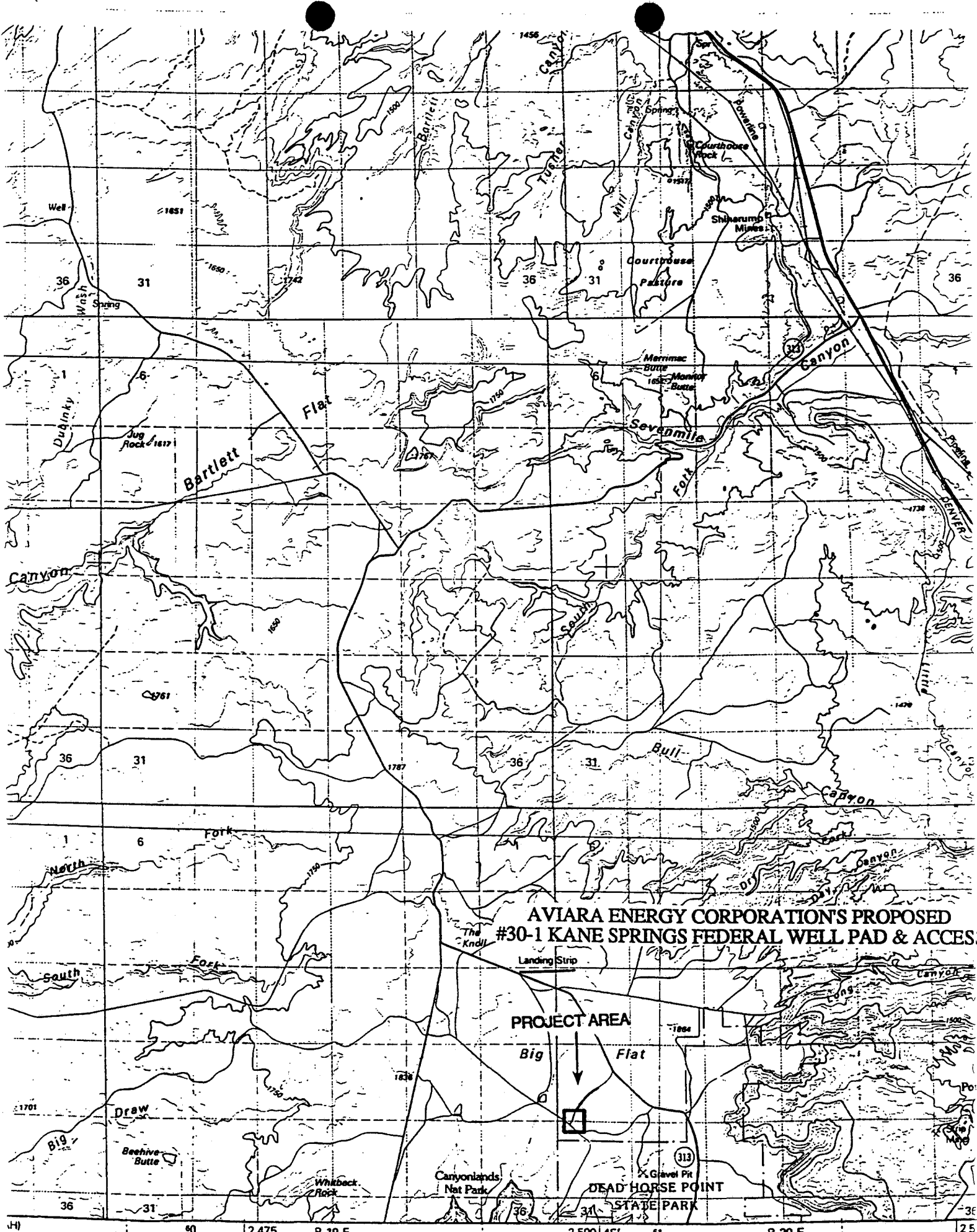
**PROPOSED
#7-1 KANE SPRINGS FED.
WELL LOCATION**



(Figure 1)

1:100 000 - scale

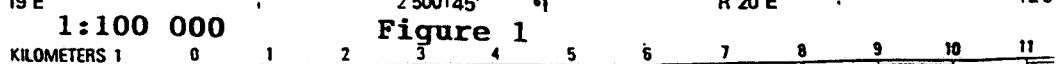
PROPOSED #11-1 KANE SPRINGS FED.

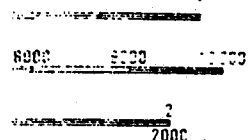


**AVIARA ENERGY CORPORATION'S PROPOSED
#30-1 KANE SPRINGS FEDERAL WELL PAD & ACCESS**

PROJECT AREA

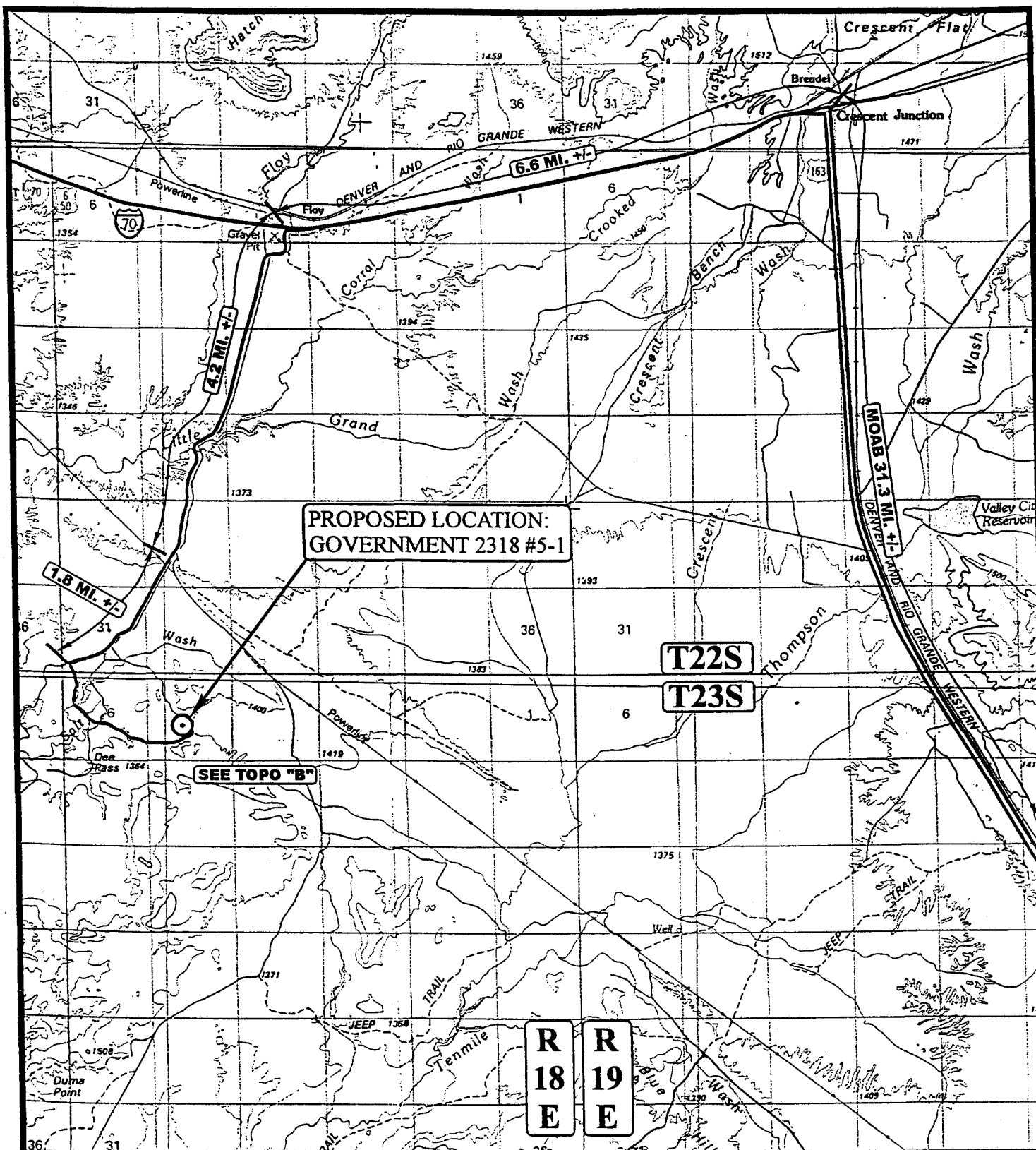
Figure 1





1	2	3	1 Dubinsky Wash
			2 Jug Rock
			3 Merrimac Butte
4		5	4 Mineral Canyon
			5 Gold Bar Canyon

THE KNOLL, UTAH
PROVISIONAL EDITION 1988



LEGEND:

⊙ PROPOSED LOCATION

RIATA ENERGY, INC.

GOVERNMENT 2318 #5-1

SECTION 5, T23S, R18E, S.L.B.&M.

1784' FSL 2041' FWL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (801) 789-1017 * FAX (801) 789-1813
 Email: uels@earthlink.com

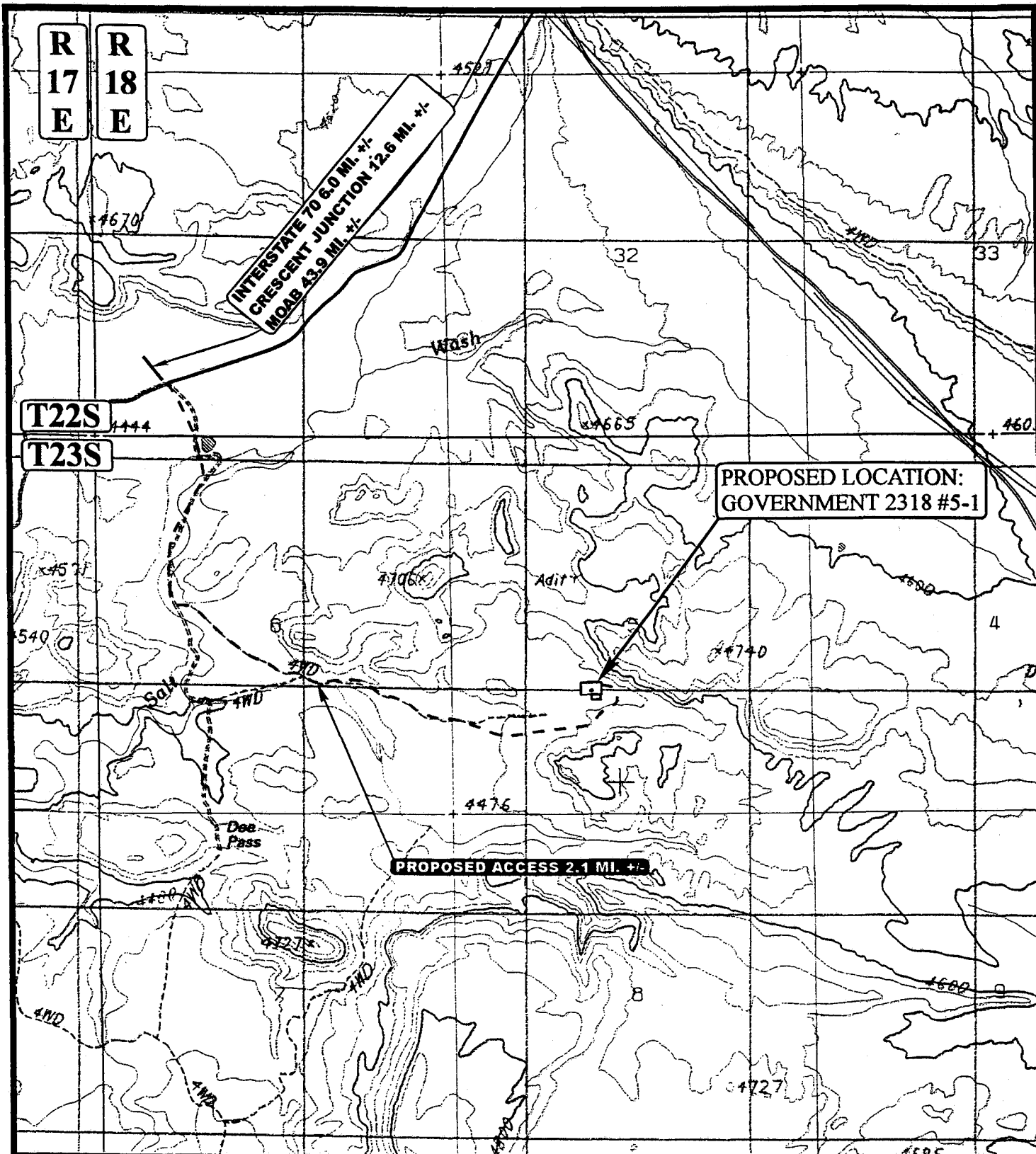


TOPOGRAPHIC
MAP

9 22 97
 MONTH DAY YEAR

SCALE: 1:100,000 DRAWN BY: C.G. REVISED: 00-00-00





LEGEND:

--- PROPOSED ACCESS ROAD
— EXISTING ROAD

RIATA ENERGY, INC.

GOVERNMENT 2318 #5-1

SECTION 5, T23S, R18E, S.L.B.&M.

1784' FSL 2041' FWL



Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(801) 789-1017 * FAX (801) 789-1813
Email: uels@easilink.com

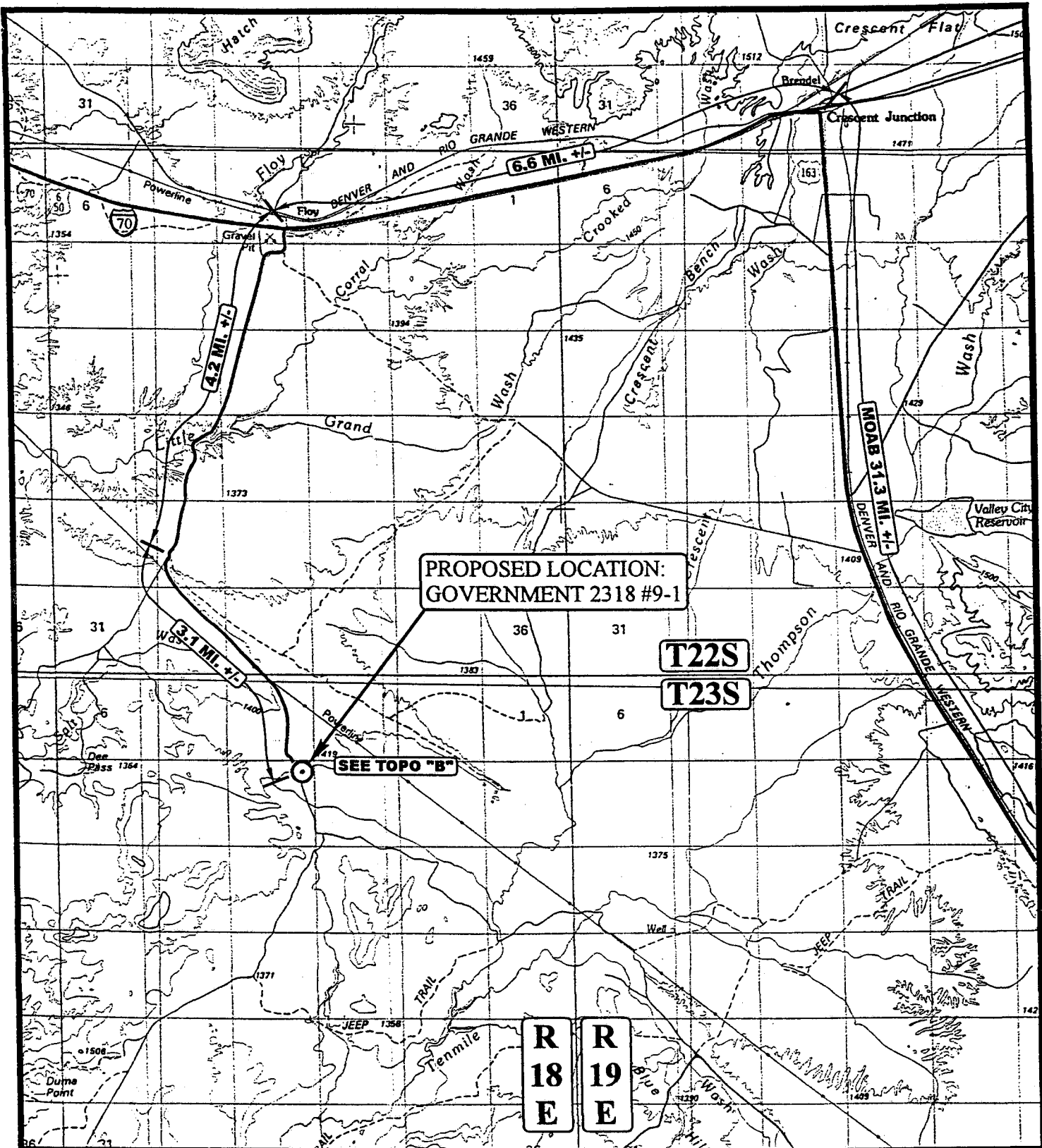


TOPOGRAPHIC
MAP

9 22 97
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.G. REVISED: 00-00-00

B
TOPO



LEGEND:

PROPOSED LOCATION



RIATA ENERGY, INC.

GOVERNMENT 2318 #9-1

SECTION 9, T23S, R18E, S.L.B.&M.

738' FNL 678' FEL



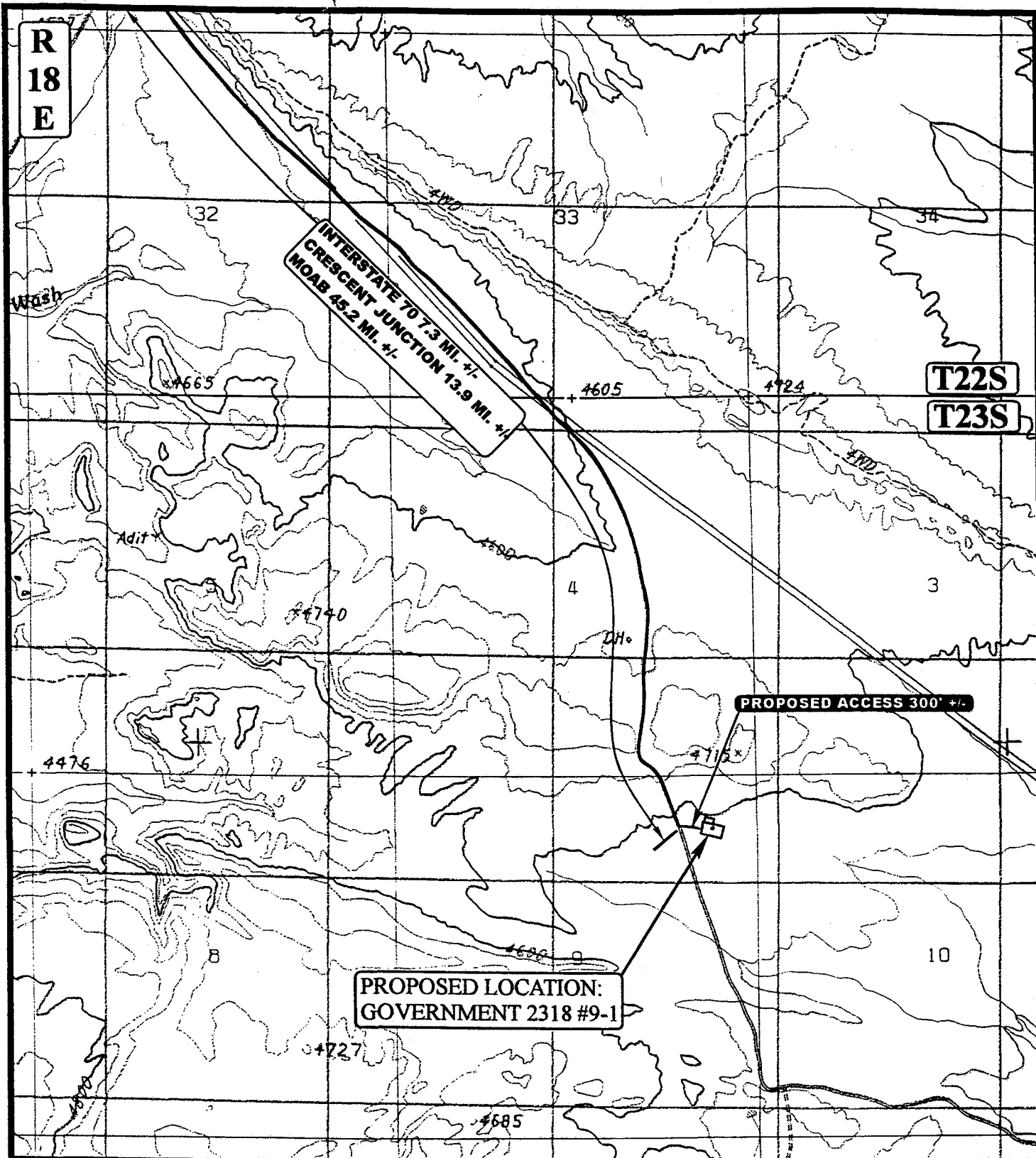
Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (801) 789-1017 * FAX (801) 789-1813
 Email: uels@casilink.com

TOPOGRAPHIC
MAP

9 22 97
 MONTH DAY YEAR



SCALE: 1 : 100,000 DRAWN BY: C.G. REVISED: 00-00-00



LEGEND:

----- PROPOSED ACCESS ROAD
 _____ EXISTING ROAD



RIATA ENERGY, INC.

GOVERNMENT 2318 #9-1
SECTION 9, T23S, R18E, S.L.B.&M.
738' FNL 678' FEL

U E L S
Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (801) 789-1017 * FAX (801) 789-1813
 Email: uels@easilink.com

TOPOGRAPHIC
MAP

9 22 97
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.G. REVISED: 00-00-00

B
TOPO



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

April 8, 1998

Aviara Energy Corporation
P.O. Box 1350
Houston, Texas 77251-1350


Re: Kane Springs 30-1 Well, 330' FNL, 1035' FWL, NW NW,
Sec. 30, T. 26 S., R. 20 E., Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. 40-6-1 et seq., Utah Administrative Code R649-3-1 et seq., and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31365.

Sincerely,


for John R. Baza
Associate Director

lwp

Enclosures

cc: Grand County Assessor
Bureau of Land Management, Moab District Office

Operator: Aviara Energy Corporation
Well Name & Number: Kane Springs 30-1
API Number: 43-019-31365
Lease: U-46697
Location: NW NW Sec. 30 T. 26 S. R. 20 E.

Conditions of Approval

1. General
Compliance with the requirements of Utah Admin. R. 649-1 et seq., the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for Permit to Drill.
2. Notification Requirements
Notify the Division within 24 hours following spudding the well or commencing drilling operations. Contact Jim Thompson at (801)538-5336.

Notify the Division prior to commencing operations to plug and abandon the well. Contact Dan Jarvis at (801) 538-5338 or John R. Baza at (801)538-5334.
3. Reporting Requirements
All required reports, forms and submittals shall be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.
4. State approval of this well does not supercede the required federal approval which must be obtained prior to drilling.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Aviara Energy Corporation

3. ADDRESS OF OPERATOR

P. O. Box 1350, Houston, TX 77251-1350

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

330' FNL & 1035' FWL Sec. 30, T26S, R20E

At proposed prod. zone

980' FSL & 1085' FEL Sec. 24, T26S, R19E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

17 miles west of Moab, UT

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. BHL (LS) 330' FNL Sec 30, 1085' FEL Sec 24 (Also to nearest drig. unit line, if any)

16. NO. OF ACRES IN LEASE

2556.56

17. NO. OF ACRES ASSIGNED TO THIS WELL

580

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH

7400' TVD

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

5962' GR

22. APPROX. DATE WORK WILL START*

July, 1998

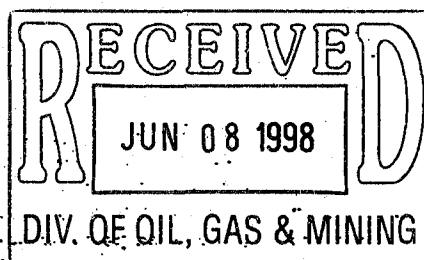
23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT

SEE ATTACHMENTS

This well is a Horizontal Test of the Cane Creek Formation.



WARNING OR VENTING OF
GAS SUBJECT TO NTL 4-A
1/1/80

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Brad D. Palmer

TITLE Mgr; Envir., Safety & Reg

DATE 16 December 1997

(This space for Federal or State office use)

PERMIT NO.

13-019-31365
/s/ Brad D. Palmer

APPROVAL DATE

Assistant Field Manager,

JUN 3 1998

APPROVED BY

TITLE

Resource Management

DATE

CONDITIONS OF APPROVAL, IF ANY:

CONDITIONS OF APPROVAL ATTACHED

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Aviara Energy Corporation

3. ADDRESS OF OPERATOR

P. O. Box 1350, Houston, TX 77251-1350

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

330' FNL & 1035' FWL Sec. 30, T26S, R20E

At proposed prod. zone

980' FSL & 1085' FEL Sec. 24, T26S, R19E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

17 miles west of Moab, UT

16. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drlg. unit line, if any)

BHL (Ls) 1085' FEL Sec.24

(U) 1085' FEL Sec.24

Surf. (Ls) 330' FNL Sec.30

(U) 1035' FWL Sec.30

16. NO. OF ACRES IN LEASE

2556.56

17. NO. OF ACRES ASSIGNED
TO THIS WELL

580

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

22. APPROX. DATE WORK WILL START*

July, 1998

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT

SEE ATTACHMENTS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNATURE

TITLE Mgr; Envir., Safety & Reg.

DATE 16 December 1997

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

TITLE

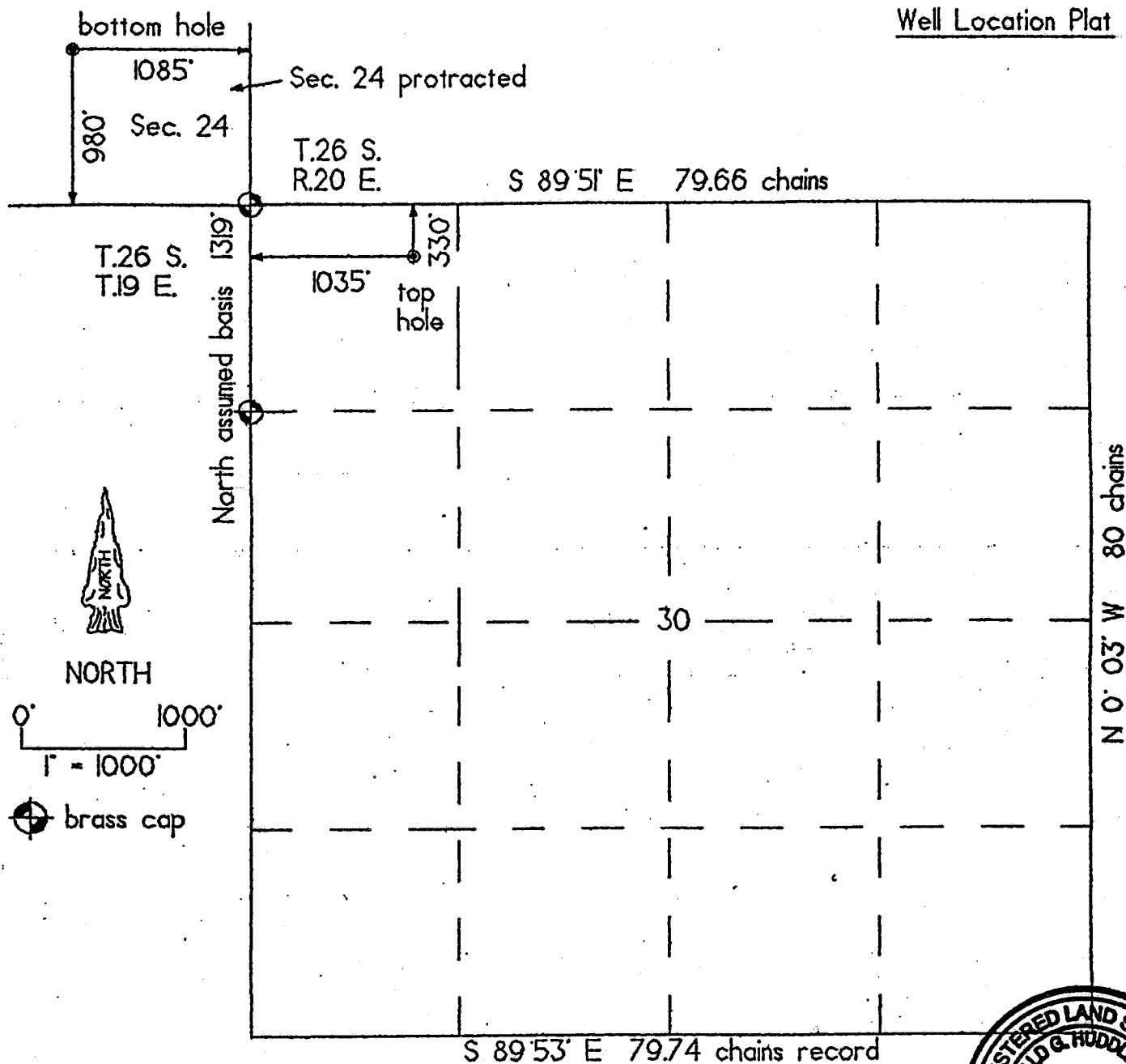
DATE

CONDITIONS OF APPROVAL, IF ANY:

CONFIDENTIAL

*See Instructions On Reverse Side

Well Location Plat



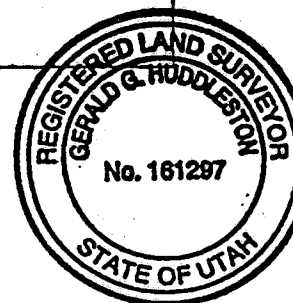
Well Location Description

AVIARA Energy Corporation
 Kane Springs Federal 30-1
 330' FNL & 1035' FWL (top hole)
 Section 30, T.26 S., R.20 E., SLM
 72381 N & 2497,975 E - Utah Central, NAD 27 (top hole)
 5962' grd. el. from USGS spot elevation
 980' FSL & 1085' FEL (bottom hole)
 Section 24, T.26 S., R.19 E., SLM
 Grand County, UT

30 October 1997

Gerald G. Huddleston, LS

The above is true and correct to my knowledge and belief.



Aviara Energy Corporation
Kane Springs Federal 30-1
Lease U-46697
Kane Springs Unit
Location: Surface - NW/NW Section 30, T26S, R20E
Bottomhole - SE/SE Section 24, T26S, R19E
Grand County, Utah

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that Aviara Energy Corporation is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by CO 1274 (Principal - Aviara Energy Corporation) via surety consent as provided for in 43 CFR § 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR § 3106.7-2 continuing responsibility are met.

This permit will be valid for a period of one year from the date of approval. After permit termination, a new application must be filed for approval.

All lease operations will be conducted in full compliance with applicable regulations (43 CFR § 3100), Onshore Oil and Gas Orders, lease terms, notices to lessees, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to field representatives to insure compliance.

A. DRILLING PROGRAM

1. The requirements for air drilling, found in Onshore Oil and Gas Order No. 2, part III, E (Special Drilling Operations), shall be followed.
2. Prior to drilling out the production casing (7") shoe, the blow-out preverter stack shall be equipped with a remote kill line that runs unobstructed to the outer edge of the substructure. This is required by Onshore Oil and Gas Order No. 2 (part III.A.1.a.iv) when the anticipated pressure approaches the working pressure of the stack.
3. A cement bond log, or other appropriate tool for determining the top of cement, shall be run on the production casing (7").

B. SURFACE USE PLAN

1. No construction or drilling operations will be authorized between February 1 and July 15, unless additional raptor surveys are completed prior to initiating operations to identify and avoid raptor nesting sites within 1/2 mile of the proposed action. Any peregrine falcon nesting areas identified within the project area will be avoided by 1 mile. These limitations do not apply to maintenance and operation of existing wells, and these limitations do not apply to wells where drilling was initiated between July 16 and January 31.
2. In addition to procedures identified in the APD, these requirements will be followed during construction and reclamation of the reserve pit:

- a. The reserve pit will be lined with bentonite unless specifications for an alternate method of lining are approved by the authorized officer.

Bentonite will be spread to a uniform depth over the reserve pit at an application rate of not less than 5 pounds per square foot. No bulk bentonite will be distributed when winds exceed 10 mph, and no sacked bentonite will be spread when winds exceed 20 mph unless approved in writing by the authorized officer.

After bentonite has been uniformly applied over the reserve pit, the bentonite will be thoroughly mixed with the underlying soil to a depth of 4 inches. Disking, rototilling, or a similar technique will be used to mix the bentonite with the soil. A minimum of two passes at right angles to each other will be made at the full depth of mixing.

If a synthetic liner is used, liner will be designed and installed in such a manner to assure it will not be punctured during installation or drilling operations.

- b. Upon completion of drilling operations, the reserve pit will be de-watered. Depending on the conditions at the time of disposal, the waste water will be (a) disposed of off-site at an approved disposal facility, (b) reinjected with the appropriate Underground Injection Control Permit from the State Division of Oil, Gas and Mining with concurrent approval by the Bureau of Land Management, Moab District Office, or (c) allowed to evaporate.
- c. The remaining reserve pit solids will be tested prior to stabilization. At least three samples will be taken from different areas of the pit. These samples will be analyzed by an independent laboratory for salt properties (electrical conductivity, sodium adsorption ratio and exchangeable sodium percentage), heavy metal content and oil and grease content. The results of these tests will be provided to the Moab District Office within 30 days of analysis.
- d. The reserve pit contents will then be mixed with fly ash, kiln dust, or bentonite to stabilize the salt adhered to the cuttings. Quantities of the mixing agent will be sufficient to assure the physical properties of the stabilized pit are similar to the physical properties of the native subsoils.

- e. The mixed contents will be sampled and tested for leachability of salts and heavy metals. There will be a minimum of 5 samples taken from the mixed pit remains. The samples will come from each corner section of the pit and from the middle. These samples will also be analyzed by an independent laboratory. The results of this testing will be provided to the Moab District Office within 30 days of analysis.
 - f. If a synthetic liner is used, the remaining liner material will be folded over the edges of the mixed contents of the pit.
 - g. The mixed pit contents will be covered by a minimum of one foot of native subsoils. If required, a thicker application may be allowed to bring the top of this cap nearly up to grade. The pit will then be allowed to set up for a minimum of 5 days prior to additional work on the pit involving the bentonite cap.
 - h. A bentonite cap will be applied to the top of the pit. The bentonite will be a commercial grade and will be mixed with the native subsoils at the rate of 2-4 pounds per square foot of coverage. The cap will be at least 1 foot thick in the middle and grade to no less than 6 inches on the sides. The bentonite and subsoil mixture will be disked in to assure maximum effectiveness of the impervious cap. The cap will be crowned at the middle to allow proper drainage. The cap will extend at least 10 feet beyond the original pit boundaries to allow drainage away from the pit and prevent leaching of salts and heavy metals.
 - i. The bentonite cap will then be covered with approximately 2 feet of subsoil and topsoil. The intent is to bring the topsoil and subsoil mixture including the cap slightly above grade with enough soil to allow for revegetation and compensate for settling.
 - j. The Moab District Office will be kept informed of the timetables for all operations described above so that they can be witnessed.
 - k. Alternate closure procedures or methods using similar techniques that would meet the BLM objectives for pit closure may be submitted for review. No alternate pit closure techniques will be initiated prior to BLM review and approval.
3. Prior to using water encountered during drilling operations for dust control, an analysis of the salt content, or total dissolved solids (TDS), will be required for BLM for review. BLM will consider the use of water with TDS levels higher than 10,000 ppm on a case by case basis.
4. At the end of drilling operations and prior to reclamation of the reserve pit, the fourth side of the pit will be fenced and the top of the pit will be covered with netting of one inch or less to prevent access by birds.

5. Prior to installing production facilities, the operator will schedule an on-site inspection of the well site with BLM to determine the locations of the production equipment. The purpose of the on-site inspection is to reduce potential visual impacts to known observation points. During the on-site inspection, the following types of mitigation will be discussed and implemented as needed:
- a. Using equipment with neutral, non-reflective colors that blend with the surrounding rocks or trees; and using two neutral colors on an undulating or splotched (camo) pattern. (i.e. The lower portions of the equipment could be painted an earth-tone color and the upper portions could be painted to match the surrounding junipers.)
 - b. The use of low profile production tanks (seamless tanks, not bolted tanks), low profile pumping units, off-site production facilities, or pipelines. (Note: Based on EA UT-062-98-054, the option for using a low profile pumping unit at the Kane Springs 30-1 Well will be reviewed when determining the locations for production equipment at the 30-1 Well.)
 - c. The location and orientation of the equipment to help reduce the height of the facilities above the skyline and to help shield the moving components of the production equipment from view.
 - d. Lowering the flare pipe, raising the pit berm, or shielding the flare from known observation points along the highways or designated campgrounds.
6. Prior to spraying weeds on public lands, the operator will submit a Pesticide Use Proposal (PUP) to BLM for review and approval of the herbicide and methods to be used.
7. The following mixture of pure live seed (PLS) will be seeded between October and December, or at a time specified by the authorized officer:

Indian Ricegrass	4 lbs/acre
Fourwing Saltbush	3 lbs/acre
Winterfat	2 lbs/acre
<u>Scarlet globemallow</u>	<u>1 lbs/acre</u>
Total	10 lbs

If the seed is broadcast, the above rates will be doubled.

TABLE 1

NOTIFICATIONS

Notify Rich McClure at 435-259-2127 prior to starting dirt work, and contact Jack Johnson at 435-259-2129 for all other required notifications which follow:

2 days prior to commencement of dirt work, construction and reclamation;

1 day prior to spudding;

50 feet prior to reaching each casing setting depth;

upon reaching kick-off point;

3 hours prior to testing BOPE

If the people at the above number cannot be reached, notify the Moab Office at 435-259-6111. If unsuccessful, contact one of the people listed below.

Well abandonment operations require 24 hour advance notice and prior approval. In the case of newly drilled dry holes, verbal approval can be obtained by calling the Moab Office at 435-259-6111. If approval is needed after work hours, you may contact the following:

Eric Jones, Petroleum Engineer	Office:	(435) 259-2117
	Home:	(435) 259-2214
Gary Torres, Petroleum Engineer	Office:	(435) 587-1524
	Home:	(435) 587-2705

***Aviara Energy
Corporation***

April 7, 1999

Bureau of Land Management
Attn: Eric Jones
82 E. Dogwood
Moab, UT 84532

State of Utah
Division of Oil, Gas, & Mining
Attn: John Baza
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114

Reference: Aviara Energy Corporation
Kane Springs #7-1
Kane Springs #11-1
Kane Springs #30-1
Grand County, Utah

Gentlemen:

Enclosed please find "Sundry Notices and Reports on Wells" requesting a one year extension of the approved "Application For Permit To Drill, Deepen, or Plug Back" for the above referenced wells.

Please contact me at 713-871-3400 should you have any questions or require additional information. Thank you for your assistance.

Very truly yours,

AVIARA ENERGY CORPORATION

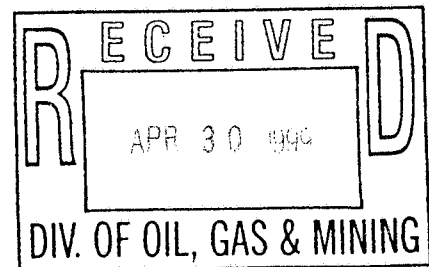
Victoria Guidry

Victoria Guidry
Production/Regulatory Coordinator

/vjg

Enclosures

docs\reg\050



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
Aviara Energy Corporation

3a. Address
P.O. Box 1350, Houston TX 77251-1350

3b. Phone No. (include area code)
713-871-3400

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
330' FNL & 1035' FWL, NW NW
Sec. 30, T26S, R20E

5. Lease Serial No.

U-46697

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
Kane Springs Federal Unit

8. Well Name and No.
Kane Springs 30-1

9. API Well No.
43-019-31365

10. Field and Pool, or Exploratory Area
Wildcat

11. County or Parish, State
Grand County, UT

CONFIDENTIAL

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|---|--|---|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Request for |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Extension of |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | Approved APD |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Aviara Energy Corporation respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well. Aviara is currently evaluating the drilling program for the next year.

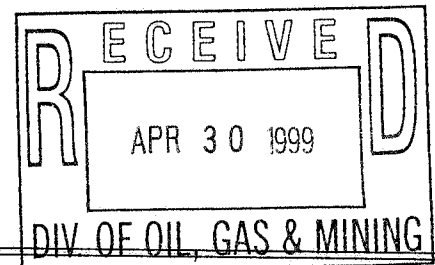
Approved by the
Utah Division of
Oil, Gas and Mining

Date: 5/3/99

By: [Signature]

COPY SENT TO OPERATOR

Date: 5-4-99
Initials: C/H/O



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Victoria Guidry

Title

Production/Regulatory Coordinator

Date

4/7/99

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires July 31, 1996

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☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Aviara Energy Corporation

3a. Address

P.O. Box 1350, Houston TX 77251-1350

3b. Phone No. (include area code)

713-871-3400

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

330' FNL & 1035' FWL, NW NW
Sec. 30, T26S, R20E

CONFIDENTIAL

5. Lease Serial No.

U-46697

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
Kane Springs Federal Unit

8. Well Name and No.

Kane Springs 30-1

9. API Well No.

43-019-31365

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Wildcat

11. County or Parish, State

Grand County, UT

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|---|---|--|---|
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| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Request for |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Extension of |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | Approved APD |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Aviara Energy Corporation respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

This well was not drilled in 1999 partially due to poor oil prices for most of the year as well as re-evaluation of new seismic and rock mechanics data. Evaluation of the drilling program for the next year is currently in progress and a drilling program is planned to begin toward the end of the 2nd quarter.

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 5/25/00

By: *[Signature]*

COPY SENT TO OPERATOR
Date: 5-25-00
Initials: *[Signature]*

RECEIVED
APR 04 2000
DIVISION OF
OIL, GAS AND MINING

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Victoria Guidry

Title

Production/Regulatory Coordinator

Date

4/3/00

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

AVIARA
ENERGY CORPORATION

One Riverway, Suite 700
Houston, Texas 77056

May 19, 2000

State of Utah
Division of Oil, Gas, & Mining
Attn: Lisha Cordova
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114

CONFIDENTIAL

Reference: Kane Springs #30-1
API Well No. 43-019-31365
Grand County, Utah

Dear Ms. Cordova:

Please include the enclosed letter as an attachment to the Sundry Notice submitted on ^{April} March 3, 2000 which requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

This letter will serve as a *waiver* to R649-3-2 (#3) of The Oil and Gas Conservation General Rules of the Utah Division of Oil, Gas and Mining states that:

"In the absence of special orders of the Board, no portion of the horizontal interval within the potentially productive formation shall be closer than six hundred-sixty (660) feet to a drilling or spacing unit boundary, federally unitized area boundary, uncommitted tract within a unit, or boundary line of a lease not committed to the drilling of such horizontal well."

Please contact me at 713-871-3400 should you have any questions or require additional information. Thank you for your assistance with this matter.

Very truly yours,

AVIARA ENERGY CORPORATION



Donny W. Worthington
Manager, Environmental, Safety And Regulatory Affairs

DW/VG/vjg

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RECEIVED

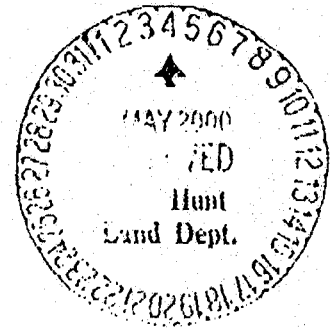
MAY 22 2000

**DIVISION OF
OIL, GAS AND MINING**

AVIARA ENERGY CORPORATION

1601 Elm Street, Suite 3400
Dallas, Texas 75201

April 25, 2000



Intrepid Oil and Gas, L.L.C.
1801 Broadway, Suite 800
Denver, CO 80202
Attn: Mr. Robert P. Jornayvaz, III

RE: Waiver of Statewide Spacing Regulations
Kane Springs Unit Well No. 30-1
Grand County, Utah

Gentlemen:

You are the owner of a working interest in the Cane Creek Participating Area "B" established under the provisions of the Kane Springs Unit Agreement. In anticipation of the drilling of the captioned exploratory horizontal well to test the Cane Creek formation, Aviara Energy Corporation hereby requests your waiver of objection as to the location of the wellbore. The Utah State Oil and Gas Conservation General Rule R649-3-2 provides that no portion of a horizontal wellbore shall be closer than six hundred (600') feet to a spacing unit boundary or a federally unitized area boundary. At the proposed surface and bottom hole locations set forth below, the Kane Springs Unit Well No. 30-1 will be less than such required distance from the unitized boundary of the Cane Creek Producing Area "B", to wit:

Section 30, T26S, R20E

Surface location: 330' FNL & 1035' FWL of Section 30

Bottomhole location: 980' FSL & 1085' FEL of Section 24

We request your agreement to waive any objection to this well location by signing the attached waiver and returning it to this office at your earliest opportunity. Should you have any questions, please do not hesitate to call me at (214) 880-8924.

Yours very truly,


Bobby Donohue
Landman

BD/ts
Enclosure

RECEIVED

MAY 22 2000

DIVISION OF
OIL, GAS AND MINING

Waiver of Objection

INTREPID OIL & GAS, L.L.C. hereby waives any and all objection and protest to the proposed surface location and bottom hole location of the Aviara Energy Corporation - Kane Springs Unit Well No. 30-1 as set forth in the letter dated April 25, 2000 attached hereto as to the proximity to the Cane Creek Participating Area "B".

INTREPID OIL & GAS, L.L.C.

By: 

Title: Attorney In Fact

Date: 4/25/00

RECEIVED

MAY 22 2000

DIVISION OF
OIL, GAS AND MINING

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: / /

API NO. ASSIGNED: 43-019-31365

WELL NAME: KANE SPRINGS 30-1

OPERATOR: AVIARA ENERGY (N5500)

CONTACT: DONNY WORTHINGTON

PHONE NUMBER: 713-871-3400

PROPOSED LOCATION:

NWNW 30 260S 200E

SURFACE: 0330 FNL 1035 FWL

SESE BOTTOM: 0980 FSL 1085 FEL Sec. 24 T26S R19E

GRAND

UNDESIGNATED (2)

LEASE TYPE: 1 - Federal

LEASE NUMBER: U-46697

SURFACE OWNER: 1 - Federal

PROPOSED FORMATION: CNCR

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering		
Geology		
Surface		

RECEIVED AND/OR REVIEWED:

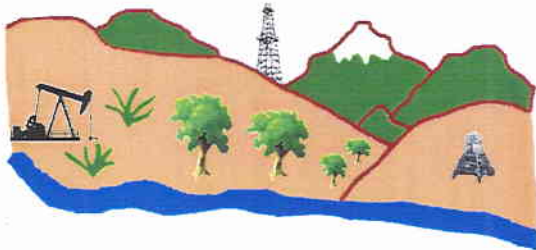
☒ Plat
☒ Bond: Fed[1] Ind[] Sta[] Fee[]
 (No. 158798586)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
 (No. MUNICIPAL)
☒ RDCC Review (Y/N)
 (Date:)
☒ Fee Surf Agreement (Y/N)

LOCATION AND SITING:

+ Kane Springs Unit will terminate upon compl. of obligation well.
____ R649-2-3. Unit Cane Creek Unit eff. 4/5/02
☒ R649-3-2. General Horiz / ~~Temp. 44'~~
Siting: 460 From Qtr/Qtr & 920' Between Wells
☒ R649-3-3. Exception
____ Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
____ R649-3-11. Directional Drill

COMMENTS: Contracted from Kane Springs Unit 8-5-2000.

STIPULATIONS: 1- Fed. Approval
2- Horiz. Slip.
3- Dir. / D.L. Slip.



Utah Oil Gas and Mining

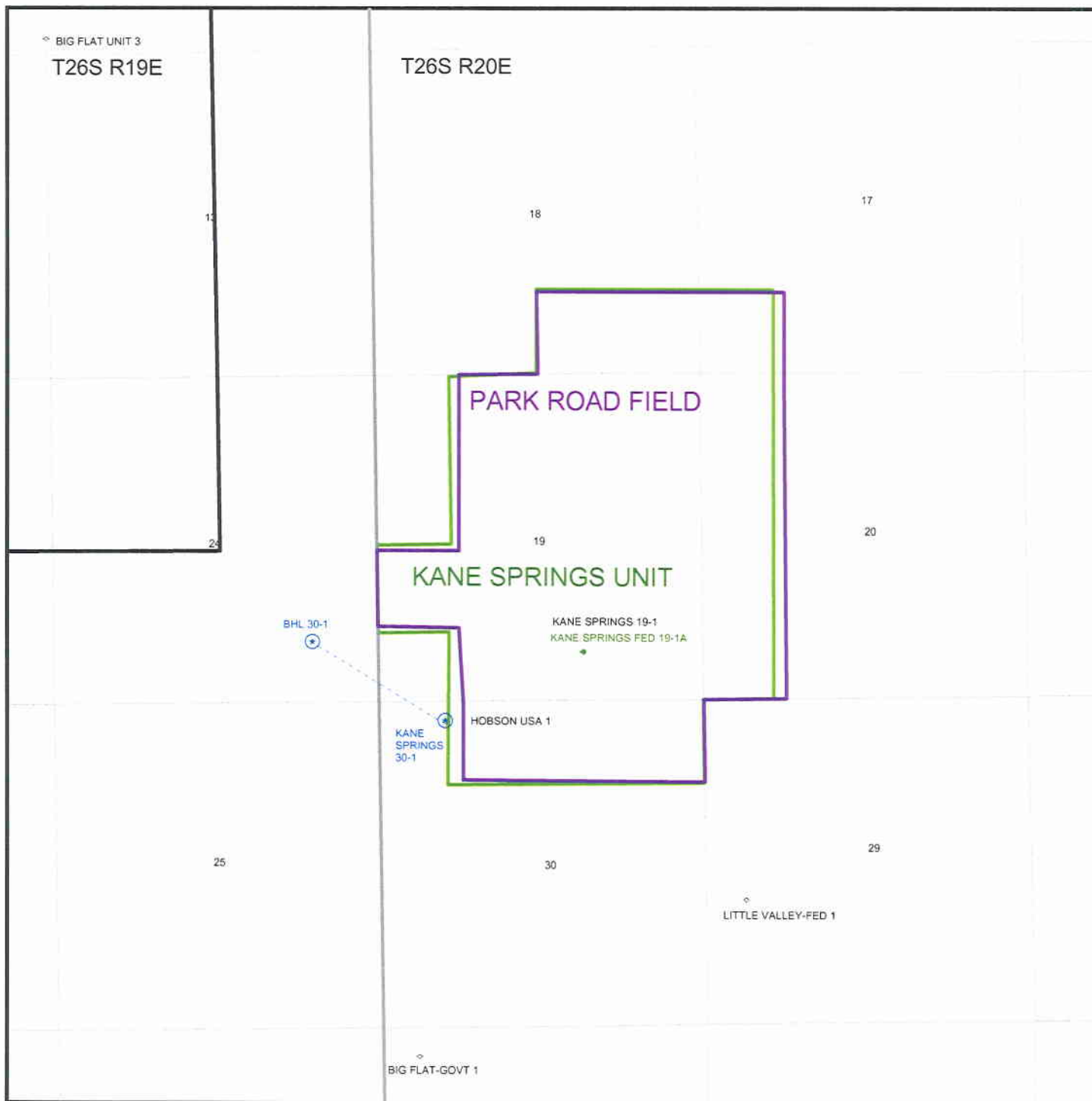
OPERATOR: AVIARA ENERGY CORP (N5500)

SEC. 24, T26S, R19E

SEC. 30, T26S, R20E

FIELD: UNDESIGNATED

COUNTY: GRAND SPACING: R649-3-2.6
HORIZ/DRL-TEMP 640'



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

CONFIDENTIAL

FORM APPROVED
Budget Bureau No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

U-46697

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
Kane Springs Federal Unit

8. Well Name and No.

Kane Springs 30-1

9. API Well No.

43-019-31365

10. Field and Pool, or Exploratory Area
Wildcat

11. County or Parish, State

Grand County, UT

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Aviara Energy Corporation

3a. Address

P.O. Box 1350, Houston TX 77251-1350

3b. Phone No. (include area code)

713-871-3400

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Surf. **330' FNL & 1035' FWL, NW NW
Sec. 30, T26S, R20E BHL SESE Sec. 24 T26S R19E 980 FSL 1085 FWL**

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|---|--|--|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Request for |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Extension of |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | Approved APD |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Aviara Energy Corporation respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

A drilling program is tentatively planned to begin the 3rd quarter of 2001.

Approved by the
Utah Division of
Oil, Gas and Mining

COPY SENT TO OPERATOR

Date: 04-19-01
Initials: CHD

Date: 04-19-01

By: [Signature]

RECEIVED

APR 02 2001

**DIVISION OF
OIL, GAS AND MINING**

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Victoria Guidry

Title

Production/Regulatory Coordinator

Date

3/30/01

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

AVIARA
ENERGY CORPORATION

One Riverway, Suite 700
Houston, Texas 77056

April 9, 2001

State of Utah
Division of Oil, Gas, & Mining
Attn: Lisha Cordova
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114

Reference: Kane Springs #30-1
API Well No. 43-019-31365
Grand County, Utah

Dear Ms. Cordova:

Please include the enclosed letter as an attachment to the Sundry Notice submitted on March 30, 2001 which requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

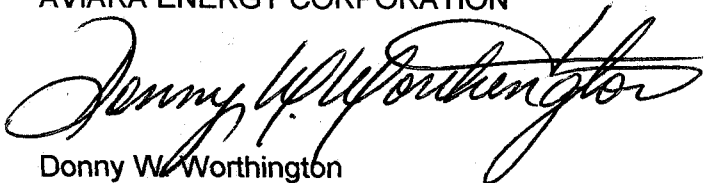
This letter will serve as a **waiver** to R649-3-2 (#3) of The Oil and Gas Conservation General Rules of the Utah Division of Oil, Gas and Mining states that:

"In the absence of special orders of the Board, no portion of the horizontal interval within the potentially productive formation shall be closer than six hundred-sixty (660) feet to a drilling or spacing unit boundary, federally unitized area boundary, uncommitted tract within a unit, or boundary line of a lease not committed to the drilling of such horizontal well."

Please contact me at 713-871-3400 should you have any questions or require additional information. Thank you for your assistance with this matter.

Very truly yours,

AVIARA ENERGY CORPORATION



Donny W. Worthington
Manager, Environmental, Safety And Regulatory Affairs

DW/VG/vjg

docs\reg\050f

RECEIVED

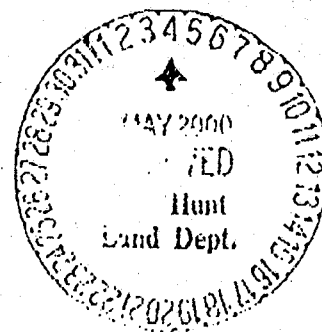
APR 12 2001

DIVISION OF
OIL, GAS AND MINING

AVIARA ENERGY CORPORATION

1601 Elm Street, Suite 3400
Dallas, Texas 75201

April 25, 2000



Intrepid Oil and Gas, L.L.C.
1801 Broadway, Suite 800
Denver, CO 80202
Attn: Mr. Robert P. Jornayvaz, III

RE: Waiver of Statewide Spacing Regulations
Kane Springs Unit Well No. 30-1
Grand County, Utah

Gentlemen:

You are the owner of a working interest in the Cane Creek Participating Area "B" established under the provisions of the Kane Springs Unit Agreement. In anticipation of the drilling of the captioned exploratory horizontal well to test the Cane Creek formation, Avicara Energy Corporation hereby requests your waiver of objection as to the location of the wellbore. The Utah State Oil and Gas Conservation General Rule R649-3-2 provides that no portion of a horizontal wellbore shall be closer than six hundred (600') feet to a spacing unit boundary or a federally unitized area boundary. At the proposed surface and bottom hole locations set forth below, the Kane Springs Unit Well No. 30-1 will be less than such required distance from the unitized boundary of the Cane Creek Producing Area "B", to wit:

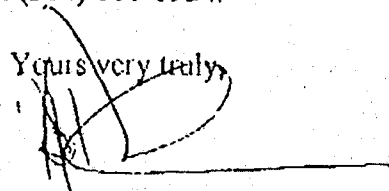
Section 30, T26S, R20E

Surface location: 330' FNL & 1035' FWL of Section 30

Bottomhole location: 980' FSL & 1085' FEL of Section 24

We request your agreement to waive any objection to this well location by signing the attached waiver and returning it to this office at your earliest opportunity. Should you have any questions, please do not hesitate to call me at (214) 880-8924.

Yours very truly,


Bobby Donohue
Landman

BD/ts
Enclosure

AVIARA
ENERGY CORPORATION

One Riverway, Suite 700
Houston, Texas 77056

RECEIVED

APR 03 2002

**DIVISION OF
OIL, GAS AND MINING**

April 2, 2002

State of Utah
Division of Oil, Gas, & Mining
Attn: Brad Hill
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114

Reference: Kane Springs #7-1
Kane Springs #11-1
Kane Springs #30-1
Grand County, Utah

Dear Mr. Hill:

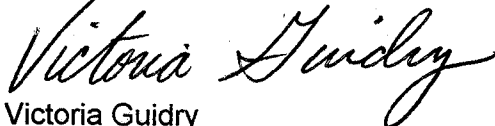
Enclosed please find "Sundry Notices and Reports on Wells" requesting a one year extension of the approved "Application For Permit To Drill, Deepen, or Plug Back" for the above referenced wells.

A drilling program is tentatively planned to begin sometime this month, April 2002. The program calls for drilling the Kane Spring 7-1 well first, then proceeding to drill the Kane Springs 30-1, and then the Kane Springs 11-1.

Please contact me at 713-871-3400 should you have any questions or require additional information. Thank you for your assistance.

Very truly yours,

AVIARA ENERGY CORPORATION



Victoria Guidry
Production/Regulatory Coordinator

/v/jg

Enclosures

H:\...\docs\Utah\002

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such purposes

1. Type of Well: OIL ☒ GAS ☐ OTHER:

2. Name of Operator

Aviara Energy Corporation

3. Address and Telephone Number.

P.O. Box 1350, Houston TX 77251-1350

713-871-3400

4. Location of Well

Footages: **330' FNL & 1035' FWL**

QQ, Sec., T., R., M.: **NW/NW Sec. 30, T26S, R20E**

5. Lease Designation and Serial Number

U-46697

6. Indian, Allottee or Tribe Name:

NA

7. Unit Agreement Name:

NA

Cane Creek

8. Well Name and Number:

Kane Springs #30-1

Cane Creek

9. API Well Number:

43-019-31365

10. Field and Pool, or Wildcat

Wildcat

County: **Grand**

State: **Utah**

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

NOTICE OF INTENT
(Submit in Duplicate)

- | | |
|--|---|
| <input type="checkbox"/> Abandon | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Recomplete |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Other <u>Request for Extension of approved APD</u> | |

Approximate date work will start April 2002

SUBSEQUENT REPORT
(Submit Original Form Only)

- | | |
|--|---|
| <input type="checkbox"/> Abandon* | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other _____ | |

Date of work completion _____

Report results of **Multiple Completions and Recompletions** to different reservoirs on WELL COMPLETION OR RECOMPLETION REPORT AND LOG form.

* Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Aviara Energy Corporation respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

A drilling program is tentatively planned to begin sometime in April 2002. The program calls for drilling the Kane Springs 7-1 well first, then proceeding to drill the Kane Springs 30-1, and then the Kane Springs 11-1.

13.

Name & Signature

Donny W. Worthington

Title

Mgr: Environmental, Safety & Reg.

Date

4/02/02

(This space for State use only)

**Approved by the
Utah Division of
Oil, Gas and Mining**

Date: 04-18-02

(5/94)

By: *[Signature]*

(See Instructions on Reverse Side)

RECEIVED

APR 03 2002

**DIVISION OF
OIL, GAS AND MINING**

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such purposes

1. Type of Well: OIL ☒ GAS ☐ OTHER:

2. Name of Operator

Aviara Energy Corporation

3. Address and Telephone Number.

P.O. Box 1350, Houston TX 77251-1350

713-871-3400

4. Location of Well

Footages: 330' FNL & 1035' FWL

BHL 980 FSL 1085 FEL SESE
Sec. 24 T. 26S R. 19E

QQ, Sec., T., R., M.: NW/NW Sec. 30, T26S, R20E

5. Lease Designation and Serial Number

U-46697

6. Indian, Allottee or Tribe Name:

NA

7. Unit Agreement Name:

NA

Cane Creek

8. Well Name and Number:

Kane Springs, #30-1

9. API Well Number:

43-019-31365

10. Field and Pool, or Wildcat

Wildcat

County: Grand

State: Utah

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

NOTICE OF INTENT
(Submit in Duplicate)

- | | |
|---|---|
| <input type="checkbox"/> Abandon | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Recomplete |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Other Request for Extension of approved APD | |

Approximate date work will start April 2002

SUBSEQUENT REPORT
(Submit Original Form Only)

- | | |
|--|---|
| <input type="checkbox"/> Abandon* | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other | |

Date of work completion

Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION REPORT AND LOG form.

* Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Aviara Energy Corporation respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

A drilling program is tentatively planned to begin sometime in April 2002. The program calls for drilling the Kane Springs 7-1 well first, then proceeding to drill the Kane Springs 30-1, and then the Kane Springs 11-1.

13. Donny W. Worthington

Name & Signature

Title

Mgr: Environmental, Safety & Reg.

Date 4/02/02

(This space for State use only)

Approved by the
Utah Division of
Oil, Gas and Mining

COPY SENT TO OPERATOR

Date: 04-19-02

Initials: CHD

Date: 04-18-02

(5/94)

By: [Signature]

(See Instructions on Reverse Side)

RECEIVED

APR 03 2002

DIVISION OF
OIL, GAS AND MINING

HUNT PETROLEUM (AEC), INC.

1601 Elm Street, Suite 3400

Dallas, Texas 75201

July 11, 2002

State of Utah
Department of Oil, Gas & Minerals
1594 West N. Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Attn: Mr. Jim Hamilton

Re: Travelers Bond No. 103860066

Dear Sir:

This is to advise you that Aviara Energy Corporation has changed its name to Hunt Petroleum (AEC), Inc., effective July 1, 2002. Attached is a Surety Rider to Travelers Bond #103860066 (which replaced CNA Bond No. 159209096) and a copy of the Surety Bond on State of Utah Form 4A currently on file with the State of Utah, Department of Natural Resources.

If you have any questions please give me a call at (214) 880-8916.

Yours very truly,

Mary Melvin

Mary Melvin
Legal Assistant

attachments

cc: Max Gardner (w/enc.)
Donny Worthington (w/enc.)
Gerald Phillips (w/enc.)

Receipt acknowledged this ___ day of July 2002.

STATE OF UTAH, Department of Oil, Gas & Minerals

By: _____

Title: _____

RECEIVED
JUL 15 2002
DIVISION OF
OIL, GAS AND MINING



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Colorado State Office
2850 Youngfield Street
Lakewood, Colorado 80215-7076

IN REPLY REFER TO:
3106 (MM)

July 22, 2002

NOTICE

Hunt Petroleum (AEC), Inc.
1601 Elm Street, Suite 3400
Dallas, TX 75201

:
:
Oil and Gas
:

Name Change Recognized

Acceptable evidence was filed and accepted by this office concerning the name change of Aviara Energy Corporation to Hunt Petroleum (AEC), Inc. with Hunt Petroleum (AEC), Inc. being the surviving entity. For our purposes, the name change was recognized effective July 1, 2002 the date of acceptance by the Secretary of the State of Delaware.

A rider changing the name of the principal on Nationwide bond number 159209244 (BLM Bond CO-1274) previously held by Aviara and issued by Continental Casualty Company, was changed to Hunt Petroleum (AEC), Inc. effective July 12, 2002.

The oil and gas lease files identified on the enclosed Exhibit A, supplied by Hunt Petroleum (AEC), Inc. were updated to reflect the new name. We have not abstracted the lease files to determine if the entities affected by the name change hold an interest in the leases identified nor have we attempted to identify leases where the entity is the operator on the ground maintaining no vested record title or operating rights interests. We are notifying the Mineral Management Services (MMS) and applicable Bureau of Land Management (BLM) Field Offices of the name change by copy of this notice. If our field offices require additional documentation for changes of operator, they will contact you.

If you identify additional leases where the affected parties maintain an interest, please contact this office and we will document the files under our jurisdiction with a copy of this Notice. If the leases are under the jurisdiction of another State Office, we will notify them.

If you have any questions concerning this correspondence, please call Martha Maxwell at (303)239-3768.

Michelle K. Derringer
FOR Beverly Derringer
Chief, Fluid Minerals Adjudication

Exhibit A sent to Eastern SO, New Mexico SO, Montana SO, Utah SO, Wyoming SO &
MMS-MRM, MS357B1, PO Box 5760, Denver, CO 80217
Decision Letter sent to All State Offices via BLM_Fluids_Forum

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☐

OTHER See attachment

2. NAME OF OPERATOR:

Hunt Petroleum (AEC), Inc.

3. ADDRESS OF OPERATOR:

1601 Elm Street, Suite 3400 Dallas, TX 75201

PHONE NUMBER:

214-880-8855

4. LOCATION OF WELL

FOOTAGES AT SURFACE:

COUNTY:

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input checked="" type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Change of company from Aviaara Energy Inc. to Hunt Petroleum (AEC), Inc.
effective July 1, 2002.

NAME (PLEASE PRINT) Lisa Augustine

TITLE Agent

SIGNATURE

Lisa Augustine

DATE August 6, 2002

(This space for State use only)

RECEIVED

AUG 07 2002

DIVISION OF
OIL, GAS AND MINING

api	well_name	section	township	range	ll_status_m
4301931310	KANE SPRINGS FED 27-1	27	250S	190E	P
4301931324	KANE SPRINGS FED 19-1A	19	260S	200E	P
4301931325	KANE SPRINGS FED 28-1	28	250S	190E	S
4301931331	KANE SPRINGS FED 10-1	10	250S	180E	P
4301931332	KANE SPRINGS FED 20-1	20	260S	190E	S
4301931334	KANE SPRINGS FED 25-19-34-1	34	250S	190E	P
4301931363	CANE CREEK FEDERAL 7-1	07	250S	190E	DRL
4301931364	CANE CREEK FED 11-1	11	260S	190E	DRL
4301931365	CANE CREEK 30-1	30	260S	200E	APD
4301931379	KANE SPRINGS FED 3-1	03	260S	190E	APD
4303730572	GOVT EVELYN CHAMBERS 1	06	310S	240E	S
4303730612	GOVT EVELYN CHAMBERS 2	05	310S	240E	S
4304731768	COWDEN 31-3-C	31	060S	210E	S
4304731769	FEDERAL 33-6-F	33	060S	210E	P
4304731787	FEDERAL 33-8-N	33	060S	210E	P
4304731804	FEDERAL 33-3-J	33	060S	210E	S
4304731844	FEDERAL 33-7-L	33	060S	210E	P
4301931341	KANE SPRINGS 16-1	16	250S	180E	A
4304731776	ALTA 5-1-B	05	070S	210E	P
4304731843	ALTA 5-2-C	05	070S	210E	P

OPERATOR CHANGE WORKSHEET**ROUTING**

1. GLH

2. CDW ✓

3. FILE

Change of Operator (Well Sold)

Designation of Agent

X Operator Name Change

Merger

The operator of the well(s) listed below has changed, effective: **07-01-2002****FROM: (Old Operator):**

AVIARA ENERGY CORPORATION

Address: 1601 ELM STREET, STE 3400

DALLAS, TX 75201

Phone: 1-(214)-880-8850

Account No. N5500

TO: (New Operator):

HUNT PETROLEUM (AEC) INC

Address: 1601 ELM STREET, STE 3400

DALLAS, TX 75201

Phone: 1-(214)-880-8850

Account No. N2180

CA NO.**Unit: CANE CREEK****WELL(S)**

NAME	SEC TWN RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
CANE CREEK FEDERAL 7-1	07-25S-19E	43-019-31363	13477	FEDERAL	OW	DRL
KANE SPRINGS FEDERAL 3-1	03-26S-19E	43-019-31379	99999	FEDERAL	OW	APD
CANE CREEK FEDERAL 11-1	11-26S-19E	43-019-31364	13477	FEDERAL	OW	DRL
CANE CREEK 30-1	30-26S-20E	43-019-31365	99999	FEDERAL	OW	APD

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 07/15/2002
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 08/07/2002
- The new company has been checked through the **Department of Commerce, Division of Corporations Database** on: 08/07/2002
- Is the new operator registered in the State of Utah: YES Business Number: 56883-0143
- If **NO**, the operator was contacted on: N/A
- (R649-9-2) Waste Management Plan received on: IN PLACE
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: 07/01/2002

7. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: 07/01/2002

8. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: N/A

9. **Underground Injection Control ("UIC")**

The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: 07/08/2002

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 08/07/2002

2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 08/07/2002

3. Bond information entered in RBDMS on: N/A

4. Fee wells attached to bond in RBDMS on: N/A

STATE WELL(S) BOND VERIFICATION:

1. State well(s) covered by Bond Number: N/A

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: CO-1274

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: N/A

FEE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number N/A

2. The **FORMER** operator has requested a release of liability from their bond on: N/A

The Division sent response by letter on: N/A

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

COMMENTS:

HUNT PETROLEUM (AEC), INC.

P.O. Box 1350, Houston, Texas 77251-1350
One Riverway, Suite 700
Houston, Texas 77056
Telephone (713) 871-3400

March 28, 2003

Bureau of Land Management
Attn: Eric Jones
82 E. Dogwood
Moab, UT 84532

CERTIFIED MAIL
7002 0460 0001 1863 8244
RETURN RECEIPT REQUESTED

State of Utah
Division of Oil, Gas, & Mining
Attn: John Baza
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114

CERTIFIED MAIL
7002 0510 0001 5407 2877
RETURN RECEIPT REQUESTED

Reference: Cane Creek #30-1
Grand County, Utah

Gentlemen:

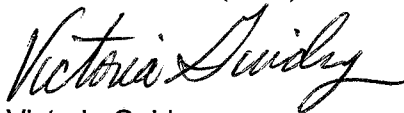
Enclosed please find "Sundry Notices and Reports on Wells" requesting a one year extension of the approved "Application For Permit To Drill, Deepen, or Plug Back" for the above referenced wells.

The Cane Creek #7-1 and #11-1 wells were drilled in 2002 and continuation of the drilling program is currently being evaluated.

Please contact me at 713-871-3400 should you have any questions or require additional information. Thank you for your assistance.

Very truly yours,

Hunt Petroleum (AEC), Inc.



Victoria Guidry
Regulatory Coordinator

/v/jg

Enclosure

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MAR 31 2003

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, deepen existing wells, or to reenter plugged and abandoned wells.
Use APPLICATION FOR PERMIT TO DRILL OR DEEPEN form for such purposes

1. Type of Well: OIL ☒ GAS ☐ OTHER:

2. Name of Operator

Hunt Petroleum (AEC), Inc.

3. Address and Telephone Number.

P.O. Box 1350, Houston TX 77251-1350

713-871-3400

4. Location of Well

Footages: 330' FNL & 1035' FWL

QQ, Sec., T., R., M.: NW/NW Sec. 30, T26S, R20E

5. Lease Designation and Serial Number

U-46697

6. Indian, Allottee or Tribe Name:

NA

7. Unit Agreement Name:

Cane Creek

8. Well Name and Number:

Cane Creek #30-1

9. API Well Number:

43-019-31365

10. Field and Pool, or Wildcat
Wildcat

County: Grand

State: Utah

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

NOTICE OF INTENT (Submit in Duplicate)

- | | |
|--|---|
| <input type="checkbox"/> Abandon | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Recomplete |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Multiple Completion | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Other: Request for Extension of approved APD | |

Approximate date work will start September 2003

SUBSEQUENT REPORT (Submit Original Form Only)

- | | |
|--|---|
| <input type="checkbox"/> Abandon* | <input type="checkbox"/> New Construction |
| <input type="checkbox"/> Repair Casing | <input type="checkbox"/> Pull or Alter Casing |
| <input type="checkbox"/> Change of Plans | <input type="checkbox"/> Perforate |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Vent or Flare |
| <input type="checkbox"/> Fracture Treat or Acidize | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Other: _____ | |

Date of work completion _____

Report results of Multiple Completions and Recompletions to different reservoirs on WELL COMPLETION OR RECOMPLETION REPORT AND LOG form.

* Must be accompanied by a cement verification report.

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Hunt Petroleum (AEC), Inc. respectfully requests a one year extension of the approved "Application For Permit to Drill" for the above referenced well.

The Cane Creek 7-1 and 11-1 wells were drilled in 2002. Continuation of the drilling program is currently being evaluated.

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DIV. OF OIL, GAS & MINING

13.

Name & Signature

Victoria Guidry

Victoria Guidry

Title Regulatory Coordinator

Date 3/28/03

(This space for State use only)

COPY SENT TO OPERATOR

Date: 04-02-03

Initials: CHO

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 04-01-03

By: *[Signature]*

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. U-66025
2. Name of Operator Hunt Petroleum (AEC), Inc.		6. If Indian, Allottee or Tribe Name NA
3a. Address P.O. Box 1350, Houston TX 77251-1350	3b. Phone No. (include area code) 713-871-3400	7. If Unit or CA/Agreement, Name and/or No. Cane Creek Federal Unit
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 2512' FNL & 1210' FEL, SE NE Sec. 3, T26S, R19E		8. Well Name and No. Cane Creek 3-1
		9. API Well No. 43-019-31379
		10. Field and Pool, or Exploratory Area Wildcat
		11. County or Parish, State Grand County, UT

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Transfer APD
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	to New Unit
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Operator

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Hunt Petroleum (AEC), Inc. respectfully requests that the approved "Application for Permit to Drill" be transferred to Intrepid Oil & Gas, LLC. Hunt resigned as unit operator and Intrepid was designated successor operator of the Cane Creek Federal Unit.

Following is relevant information:

Intrepid Oil & Gas, LLC
700 17th Street, Suite 1700
Denver, CO 80202
Attn: H. Richard Miller
303.296.3003 - Phone **3006**
303.298.7502 - Fax

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DIV. OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Victoria Guidry	Title Regulatory Coordinator
Date 07/17/03	

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: U-66025
2. NAME OF OPERATOR: Intrepid Oil & Gas, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Cane Creek Federal Unit
3. ADDRESS OF OPERATOR: 700 17th Street, #1700 CITY Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: Cane Creek 3-1
PHONE NUMBER: (303) 296-3006		8. WELL NAME and NUMBER: Cane Creek 3-1
4. LOCATION OF WELL FOOTAGES AT SURFACE: 2512' FNL & 1210' FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SENE 3 26s 19e		9. API NUMBER: 4301931379
COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Acceptance of Unit Operator</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Hunt Petroleum has resigned as unit operator and Intrepid Oil & Gas, LLC (IOG) was designated successor operator of the Cane Creek Federal Unit. The above referenced well is in this Unit and IOG accepts operator status.

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DIV. OF OIL, GAS & MINING

NAME (PLEASE PRINT) <u>Richard Miller</u>	TITLE <u>Special Projects Manager</u>
SIGNATURE <u>Richard Miller</u>	DATE <u>11/18/2003</u>

(This space for State use only)

6. (R649-9-2)Waste Management Plan has been received on: IN PLACE

7. **Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM 4/28/2003 BIA n/a

8. **Federal and Indian Units:**

The BLM or BIA has approved the successor of unit operator for wells listed on: 4/28/2003

9. **Federal and Indian Communization Agreements ("CA"):**

The BLM or BIA has approved the operator for all wells listed within a CA on: N/A

10. **Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

1. Changes entered in the **Oil and Gas Database** on: 11/26/2003
2. Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 11/26/2003
3. Bond information entered in RBDMS on: N/A
4. Fee wells attached to bond in RBDMS on: N/A

STATE WELL(S) BOND VERIFICATION:

1. State well(s) covered by Bond Number: n/a

FEDERAL WELL(S) BOND VERIFICATION:

1. Federal well(s) covered by Bond Number: UTB000029

INDIAN WELL(S) BOND VERIFICATION:

1. Indian well(s) covered by Bond Number: N/A

FEE WELL(S) BOND VERIFICATION:

1. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number N/A
2. The **FORMER** operator has requested a release of liability from their bond on: N/A
The Division sent response by letter on: N/A

LEASE INTEREST OWNER NOTIFICATION:

3. (R649-2-10) The **FORMER** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

COMMENTS:



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

July 14, 2004

Richard Miller
Intrepid Oil & Gas LLC
700 17TH Street Suite 1700
Denver CO 80202

Re: APD Rescinded – Kane Springs 30-1 Sec. 30, T. 26S, R. 20E
Grand County, Utah API No. 43-019-31365


Dear Mr. Miller:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on April 8, 1998. On May 3, 1999, May 25, 2000, April 19, 2001, April 18, 2002 and April 1, 2003 the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective July 14, 2004.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Whitney
Engineering Technician

cc: Well File
Bureau of Land Management, Moab